

COTE D'IVOIRE

1990 Model Petroleum Production Sharing Contract

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CONTRACT

BETWEEN

The Republic of Côte d'Ivoire, hereinafter referred to as "the Government", represented for the purposes of this Contract by the President of the Republic, H.E. Félix HOUPHOUET-BOIGNY,

on the one hand,

AND

- _____, a company incorporated under the laws of _____, having its registered office in _____, hereinafter referred to as _____, and represented for the purposes of this Contract by _____,

(in the case of a consortium, the above should be filled by other companies)

- Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire, a company incorporated under the laws of Côte d'Ivoire, having its registered office in Abidjan, Côte d'Ivoire, hereinafter referred to as "PETROCI", and represented for the purposes of this Contract by _____,

on the other hand,

WHEREAS

- the discovery and exploitation of Petroleum are important for the interest and the economic development of the country and its people ;
- in accordance with the provisions of Article 2.1 of Law n° 70-489 of August 3, 1970 establishing the Petroleum Code, and of Article 1 of Ordinance n° 75-04 of January 3, 1975, ratified by Law n° 76-506 of August 3, 1976, governing production sharing and service contracts relating to Petroleum, the State wishes to undertake directly operations for exploration for, exploitation, transportation, storage, processing and marketing of Petroleum ;
- pursuant to Decree n° 77-848 of October 21, 1977, PETROCI is the holder of the mining rights in respect of Petroleum exploration and exploitation over the entirety of available areas in Côte d'Ivoire including the Delimited Area defined hereinafter ;
- the Government, directly and through PETROCI, wishes to promote the development of the Delimited Area, and the Contractor wishes to cooperate with the Government by assisting it in the exploration for and production of the potential resources within the Delimited Area, and thereby encouraging the economic growth of the country ;
- PETROCI, for the purposes of this Contract, on the one hand, grants to the Government its mining rights in respect of the Delimited Area and on the other hand, joins with _____ to constitute the joint venture which will act as Contractor ; and
- the Contractor represents that it has the financial resources, the technical competence and the organization capacity necessary to carry out in the Delimited Area the Petroleum Operations specified hereinafter ;

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS :

ARTICLE 1

DEFINITIONS

The following terms used in this Contract shall have the following meaning :

- 1.1. **CALENDAR YEAR** means a period of twelve (12) consecutive months beginning on January first (1st) and ending on the following December thirty-first (31st), according to the Gregorian Calendar.
- 1.2. **CONTRACT YEAR** means a period of twelve (12) consecutive months beginning on the Effective Date or on the anniversary thereof.
- 1.3. **FISCAL YEAR** means a period of twelve (12) consecutive months beginning on October first (1st) and ending on the following September thirtieth (30th).
- 1.4. **BARREL** means U.S. barrel, i.e. 42 U.S. gallons measured at a temperature of 60°F and under an atmospheric pressure.
- 1.5. **BUDGET** means the itemized cost estimates of the Petroleum Operations described in an Annual Work Program.
- 1.6. **EFFECTIVE DATE** means the date on which this Contract comes into force and effect, as defined in Article 38.
- 1.7. **CONTRACTOR** means collectively or individually _____, the contracting parties, as well as any entity to which they may assign an interest pursuant to Articles 22, 35.1 and 35.2.
- 1.8. **CONTRACT** means this instrument and its appendices forming an integral part hereof, together with any extension, renewal, replacement or modification hereto which may be mutually agreed between the Parties.
- 1.9. **PETROLEUM COSTS** means all expenditures actually incurred and paid by the Contractor for the purposes of the Petroleum Operations under this Contract, and determined in accordance with the Accounting Procedure attached hereto as Appendix 2.
- 1.10. **DOLLAR** means dollar of the United States of America.
- 1.11. **NATURAL GAS** means methane, ethane, propane, butane and dry or wet gaseous hydrocarbons, whether or not associated with Crude Oil, as well as all gaseous products extracted in association with Petroleum, such as, without limitation, nitrogen, hydrogen sulfide, carbon dioxide, helium and water vapor.

- 1.12. **ASSOCIATED NATURAL GAS** means Natural Gas which exists in a reservoir in solution with Crude Oil or, as gas-cap gas in contact with Crude Oil, and which is or could be produced in association with Crude Oil.
- 1.13. **NON-ASSOCIATED NATURAL GAS** means Natural Gas other than Associated Natural Gas.
- 1.14. **FIELD** means a commercial accumulation of Petroleum in one or several overlaying horizons, which has been duly appraised in accordance with the provisions of Article 11, the extent of which is limited by the water-Petroleum contact isobath.
- 1.15. **PETROLEUM** means Crude Oil and Natural Gas.
- 1.16. **PETROLEUM OPERATIONS** means all the Petroleum exploration, appraisal, development, production, transportation and marketing operations, and more generally, any other operations directly associated therewith, carried out under this Contract.
- 1.17. **PARTIES** means the Government and the Contractor ; and **PARTY** means either the Government or the Contractor.
- 1.18. **APPRAISAL PERIMETER** means any part of the Delimited Area where one or more Petroleum discoveries have been made, and in respect of which the Government has granted to the Contractor an exclusive appraisal authorization in accordance with the provisions of Article 11.3 for the purpose of appraising the extent of said discoveries.
- 1.19. **EXPLOITATION PERIMETER** means any part of the Delimited Area in respect of which the Government has granted to the Contractor an exclusive exploitation authorization in accordance with the provisions of Article 12.
- 1.20. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite, and all kinds of Petroleum and bitumen, either solid or liquid in their natural condition or obtained from Natural Gas by condensation or extraction, including condensates and Natural Gas liquids.
- 1.21. **DELIVERY POINT** means the F.O.B. point connecting the loading facilities to the vessel then loading Crude Oil in the Republic of Côte d'Ivoire, or any other transfer point mutually agreed between the Parties.
- 1.22. **TOTAL PRODUCTION** means the total production of Crude Oil or the total production of Natural Gas obtained from the whole Delimited Area, less the quantities used for the requirements of the Petroleum Operations and any unavoidable losses.
- 1.23. **ANNUAL WORK PROGRAM** means the document describing, item by item, the Petroleum Operations to be carried out during a Calendar Year within the Delimited Area and in each Exploitation Perimeter, if any, established in accordance with the provisions of Articles 4, 5 and 14.1.

1.24. DELIMITED AREA means the area described in Article 2.7 in respect of which the Government, under this Contract, grants to the Contractor an exclusive exploration right.

The areas surrendered by the Contractor in accordance with the provisions of Articles 3.5 and 3.6 shall be deemed as excluded from the Delimited Area which shall be reduced accordingly. Conversely, the Exploitation Perimeter(s) shall make an integral part of the Delimited Area during the term of the relevant exclusive exploitation authorization.

1.25. AFFILIATED COMPANY means :

- a company or any other entity which directly or indirectly controls or is controlled by any entity constituting the Contractor ; or
- a company or any other entity which directly or indirectly controls or is controlled by a company or entity which itself directly or indirectly controls any entity constituting the Contractor.

Such "control" means direct or indirect ownership by a company or any other entity of more than fifty per cent (50%) of the shares, conferring voting rights, forming the stock of another company.

1.26 THIRD PARTY means a company or any other entity, other than the Contractor, which does not come within the foregoing definition.

ARTICLE 2

SCOPE OF THE CONTRACT

- 2.1. This Contract is a production sharing contract governed by the provisions herein contained.
- 2.2. The Government authorizes the Contractor pursuant to the terms set forth herein to carry out the useful and necessary Petroleum Operations in the Delimited Area, on an exclusive basis, it being understood that said operations shall only relate to Petroleum.
- 2.3. The Contractor undertakes, for all the work necessary for carrying out the Petroleum Operations provided for hereunder, to comply with good international petroleum industry practice and to be subject to the laws and regulations in force in Côte d'Ivoire unless otherwise provided under this Contract.
- 2.4. The Contractor shall supply all financial and technical means necessary for the proper performance of the Petroleum Operations.
- 2.5. The Contractor shall bear alone the financial risk associated with the performance of the Petroleum Operations. The Petroleum Costs related thereto shall be recoverable by the Contractor in accordance with the provisions of Article 16.2.
- 2.6. During the term hereof, in the event of production, the Total Production arising from the Petroleum Operations shall be shared between the Parties according to the terms set forth in Articles 16.2 and 16.3.
- 2.7. On the Effective Date, the Delimited Area shall be the area as defined in Appendix 1.
- 2.8. The Contractor, within thirty (30) days from the Effective Date, shall submit for the prior approval of the Government the appointed operator which shall take charge of the conduct and carrying out of the Petroleum Operations under the responsibility of the Contractor. Any change of operator shall be submitted for prior approval to the Government.

The operator, in the name and on behalf of the Contractor, shall furnish the Government with all reports, information and data referred to hereunder, including without limitation any agreement binding on the entities constituting the Contractor.

ARTICLE 3

DURATION OF EXPLORATION PERIODS AND SURRENDERS

- 3.1. The exclusive exploration authorization is hereby granted to the Contractor for a first period of _____ (_____) Contractual Years in respect of the entire Delimited Area.
- 3.2. If during the first exploration period set forth above the Contractor has fulfilled the exploration work commitments defined in Article 4, as ascertained by the Government, the exclusive exploration authorization shall, at the Contractor's request, be renewed for a second exploration period of _____ (_____) Contractual Years.
- 3.3. If, at the end of such second exploration period and provided that it has fulfilled its work commitments as set forth above, the Contractor so requests, a third exploration period shall be authorized for _____ (_____) Contractual Years.
- 3.4. The applications referred to in Articles 3.2 and 3.3 shall be made at least sixty (60) days prior to the expiry of the current exploration period.
- 3.5. The Contractor shall surrender at least the following surfaces :
 - (a) twenty-five per cent (25%) of the initial surface of the Delimited Area at the expiry of the first exploration period ;
 - (b) twenty-five per cent (25%) of the initial surface of the Delimited Area at the expiry of the second exploration period.

Such surrenders shall be constituted of one block of a simple geometrical shape delimited by north-south, east-west lines or by natural boundaries of the area concerned.

For the purpose of computing the surface to be surrendered, the surface in respect of any Exploitation Perimeter shall be deducted from the initial surface of the Delimited Area.

The surfaces previously surrendered pursuant to the provisions of Article 3.6 shall be deducted from the surfaces to be surrendered.

Subject to its compliance with the above-mentioned requirements, the Contractor shall have the right to determine the area to be surrendered.

The Contractor undertakes to furnish the Government with a precise description and a map showing the details of the surrendered areas and those retained, together with a report specifying the work carried out in the surrendered areas from the Effective Date and the results obtained. The obligations provided by Article 8 of this Contract shall be entirely fulfilled for any surrendered areas.

- 3.6. During any exploration period, the Contractor may, at any time, notify the Government that it surrenders on the whole or any part of the Delimited Area the rights granted to it by giving sixty (60) days' notice to that effect.

In the event of partial surrender, the provisions of Article 3.5 concerning the surrendered surfaces shall be applicable.

No surrender during or at the expiry of any exploration period shall reduce the work commitments and the investment obligations set forth in Article 4 for the current exploration period.

In the event of surrender, the Contractor shall have the exclusive right to retain, for their respective term, the surfaces in respect of Appraisal Perimeters and Exploitation Perimeters which would have been granted and to carry out the Petroleum Operations therein.

- 3.7. At the expiry of the third exploration period set forth in Article 3.3, the Contractor shall surrender the whole remaining surface of the Delimited Area except as to any Appraisal Perimeters and Exploitation Perimeters which would have then been granted.
- 3.8. If at the expiry of all the exploration periods the Contractor has not obtained an exclusive appraisal authorization or an exclusive exploitation authorization, this Contract shall terminate.
- 3.9. The expiry or termination of this Contract, whatever the reason thereof, shall not relieve the Contractor of any obligations under this Contract incurred prior to, or arising from, said expiry or termination and which shall be fulfilled.

ARTICLE 4

EXPLORATION WORK COMMITMENTS

- 4.1. The Contractor shall commence the geological and seismic work within three (3) months from the Effective Date.
- 4.2. The Contractor, during the first exploration period defined in Article 3.1, shall carry out the following minimum work :
- _____ kilometers of seismic survey ; and
 - _____ exploratory wells.
- 4.3. The Contractor, during the second exploration period defined in Article 3.2 shall carry out the following minimum work :
- _____ exploratory wells.
- 4.4. The Contractor, during the third exploration period defined in Article 3.3 shall carry out the following minimum work :
- _____ exploratory wells.
- 4.5. Each of the exploratory wells referred to above shall be drilled to a minimum depth of _____ meters, after deduction of the water depth, or to a lesser depth if the continuation of drilling performed in accordance with good international petroleum industry practice is prevented for any of the following reasons :
- (a) the basement is encountered at a lesser depth than the minimum contractual depth ;
 - (b) continuation of drilling presents an obvious danger due to the existence of abnormal formation pressure ;
 - (c) rock formations are encountered the hardness of which prevents, in practice, the continuation of drilling by the use of appropriate equipment ;
 - (d) petroleum formations are encountered the crossing of which requires, for their protection, the laying of casings preventing the minimum contractual depth from being reached.

In the event that any of the above reasons occurs, the exploratory well shall be deemed to have been drilled to the minimum contractual depth.

Notwithstanding any provision in this Article to the contrary, the Government and the Contractor may, at any time, agree to abandon the drilling of a well at a lesser depth than the minimum contractual depth.

- 4.6. In order to carry out the exploration work defined in Articles 4.2 to 4.4 in the best technical conditions in accordance with good international petroleum industry practice, the Contractor undertakes to spend the following minimum amounts determined with minimum expenditure of _____ million Dollars per well :
- (a) _____ million Dollars during the first exploration period defined in Article 3.1 ;
 - (b) _____ million Dollars during the second exploration period defined in Article 3.2 ;
 - (c) _____ million Dollars during the third exploration period defined in Article 3.3.

If during an exploration period the Contractor has performed its work commitments for an amount lesser than the amount specified above, it shall be deemed to have fulfilled its investment obligations relating to that period. Conversely, the Contractor shall perform the entirety of its work commitments set forth in respect of an exploration period even if it results in exceeding the amount specified above for that period.

- 4.7. Upon the Effective Date, the Contractor shall provide a security acceptable to the Government, guaranteeing the Contractor's work obligations for the first exploration period.

As the case may be, upon commencement of each additional exploration period, the Contractor shall also provide a similar security guaranteeing, for that additional period, the Contractor's work obligations.

At the end of each Contractual Year, the security shall be reduced in order to cover the outstanding balance of work obligations for the current exploration period.

- 4.8. If at the expiry of any of the three (3) exploration periods defined in Articles 3.1, 3.2 and 3.3, or upon the date of surrender of the whole Delimited Area, or upon the date of termination of this Contract, the Contractor has not fulfilled its work commitments set forth in this Article, it shall pay as compensation to the Government, within thirty (30) days after that date of expiry, surrender or termination, the unspent balance of exploration work commitments above-defined for the current exploration period.

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ARTICLE 5

ESTABLISHMENT AND APPROVAL OF ANNUAL WORK PROGRAMS AND BUDGETS

- 5.1. At least three (3) months before the beginning of each Calendar Year, or for the first year, within one (1) month from the Effective Date, the Contractor shall prepare and submit for approval to the Government an Annual Work Program together with the related Budget for the entire Delimited Area, specifying the Petroleum Operations that the Contractor proposes to perform during that Calendar Year and their cost.
- 5.2. If the Government wishes to propose any revisions or modifications to the Petroleum Operations specified in said Annual Work Program, it shall, within thirty (30) days after receipt of that Program, so notify the Contractor, presenting all justifications deemed useful. In that event, the Government and the Contractor shall meet as soon as possible to consider the proposed revisions or modifications and to mutually establish the Annual Work Program and the related Budget in its final form, in accordance with good international petroleum industry practice. However, during the exploration period, the Annual exploration Work Program and the related Budget established by the Contractor after the above-mentioned meeting shall be deemed to be approved provided that they comply with the obligations set forth in Article 4.

Each part of the Annual Work Program and Budget in respect of which the Government has not proposed any revision or modification within the period of thirty (30) days above-mentioned, shall be carried out by the Contractor within the stated time.

Should Government fail to notify the Contractor of its wish for revision or modification within the period of thirty (30) days above-mentioned, such Annual Work Program and the related Budget submitted by the Contractor shall be deemed to be approved by the Government.

- 5.3. It is agreed by the Government and the Contractor that knowledge acquired as and when the work proceeds or certain events may justify changes to the details of the Annual Work Program. In that event, after notification to the Government, the Contractor may make such changes provided that the basic objectives of said Annual Work Program are not modified.

ARTICLE 6

CONTRACTOR'S OBLIGATIONS IN RESPECT OF THE EXPLORATION PERIODS

- 6.1. The Contractor shall provide all the necessary funds and purchase or hire all the equipment, facilities and materials required to carry out the Petroleum Operations.
- 6.2. The Contractor shall provide all technical assistance, including the personnel required to carry out the Petroleum Operations.
- 6.3. The Contractor shall be responsible for the preparation and performance of the Annual Work Programs which shall be carried out in the most appropriate manner in observance of good international petroleum industry practice.
- 6.4. The Contractor undertakes to take all the reasonable and practical steps to :
 - (a) ensure the protection of water-bearing strata encountered during its work ;
 - (b) carry out the tests necessary for determining the value of any show encountered during drilling and the exploitability of any possible Petroleum discoveries ;
 - (c) avoid losses and discharges of Petroleum produced as well as losses and discharges of mud or any other product used in the Petroleum Operations.
- 6.5. All works and facilities erected by the Contractor hereunder shall, according to their nature and to the circumstances, be built, placed, signalled, marked, fitted and preserved so as to allow at any time and in safety free passage to navigation within the Delimited Area, and without prejudice to the foregoing, the Contractor shall, in order to facilitate navigation, install the sound and optical devices approved or required by the competent authorities and maintain them in a manner satisfactory to said authorities.
- 6.6. In the exercise of its rights to build, carry out work and maintain all facilities necessary for the purposes hereof, the Contractor shall not disturb any existing graveyard or building used for religious purposes, nor cause a nuisance to any government or public building, except with the prior consent of the Government, and shall make good the damage caused by it in that event.

- 6.7. In pursuance of the International Convention for the Prevention of Pollution of the Sea by Oil signed in London on May 12, 1954 and the amendments and implementing instruments thereof, the Contractor undertakes, inter alia, to take all necessary precautions to prevent marine pollution.

In order to prevent pollution, the Government may adopt, in consultation with the Contractor, any additional measure which it may consider necessary to preserve the environment.

- 6.8. The Contractor and its subcontractors shall be obligated to give preference to enterprises and goods from Côte d'Ivoire, if conditions of price, quality, delivery time and terms of payment are similar.

The Contractor undertakes to issue call for bids to Ivorian and foreign candidates for any supply, construction or service contracts the estimated value of which exceeds two hundred thousand (200,000) Dollars during the exploration period and five hundred thousand (500,000) Dollars during the exploitation period, it being understood that the Contractor will not improperly split said contracts.

Copies of all the contracts related to the Petroleum Operations shall be submitted to the Government upon signature thereof.

- 6.9. The Contractor undertakes to give preference, under similar economic conditions, to the purchase of assets necessary Petroleum Operations rather than to the rental thereof or any other kind of lease.

For that purpose, all the lease contracts having an estimated value greater than _____ Dollars shall be specified by the Contractor in any submitted Annual Work Programs.

ARTICLE 7

CONTRACTOR'S RIGHTS IN RESPECT OF THE EXPLORATION PERIODS

- 7.1. Without prejudice to the provisions hereof, the Contractor shall have the right to carry out the Petroleum Operations within the Delimited Area. Such right includes, inter alia :
- (a) full responsibility for, management of and control over all the Petroleum Operations ;
 - (b) authority to exercise any of the rights conferred hereby through agents and independent contractors, and to pay accordingly all of their expenses and costs in the place and in the currency chosen by the Contractor, in accordance with the provisions of Article 23.
- 7.2. The Contractor shall have the right to clear the ground, dig, perforate, drill, build, erect, place, supply, operate, manage and maintain ditches, pools, wells, trenches, excavations, dams, canals, water conduits, plants, tanks, basins, maritime and other storage facilities, primary distillation units, first-extraction gasoline separator units, sulfur plants, and other facilities for Petroleum production, together with the pipelines, pumping stations, generator units, power plants, high voltage lines, telephone, telegraph, radio and other communication facilities, factories, warehouses, offices, employees' housing, hospitals, premises, ports, docks, harbours, dikes, jetties, dredges, sea walls, under-water piers and other facilities, ships, vehicles, railways, roads, bridges, ferries, airlines, airports and other transportation facilities, garages, warehouses, workshops, foundries, repair shops and all the auxiliary services which are necessary for or useful to the Petroleum Operations or in connection therewith ; and all additional facilities which are or may become necessary for or reasonably subsidiary to the carrying out of the Petroleum Operations.
- The location of such facilities may be selected by the Contractor at the place or position chosen by it, subject to the Government's approval, which shall not be unreasonably withheld, and to the conditions of Articles 2.3 and 6.5 to 6.7.
- 7.3. The agents, employees and representatives of the Contractor or its subcontractors shall have the right, for the purposes of the Petroleum Operations to enter into or leave the Delimited Area and shall have free access to all the facilities set up by the Contractor.

- 7.4. The Contractor shall have the right, subject to the payment of fees applicable in Côte d'Ivoire, to remove and use the surface soil, mature timber, clay, sand, limestone, gypsum, stones and other similar materials which may be necessary for the performance of the Petroleum Operations.

With the consent of the competent administrative services, the Contractor may make reasonable use of such materials for the performance of the Petroleum Operations, free of charge, when they are located on land owned by the Government and placed in the vicinity of the land where said Operations are taking place.

The Contractor may take or use the water necessary for the Petroleum Operations at no charge, provided that existing irrigation or navigation are not impaired and that land, houses or watering places for livestock are not deprived of a reasonable quantity of water.

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ARTICLE 8

ACTIVITY REPORTS DURING THE EXPLORATION PERIODS AND SUPERVISION OF PETROLEUM OPERATIONS

- 8.1. The Government shall own and may freely use all the original data and documents relating to the Petroleum Operations such as, but without limitation, records, samples, geological, geophysical, petrophysical, drilling and operating reports.
- 8.2. The Contractor undertakes to furnish the Government with the following periodic reports :
 - (a) daily reports on drilling operations ;
 - (b) weekly reports on seismic operations ;
 - (c) within thirty (30) days after each Calendar quarter, a report on the Petroleum Operations carried out together with a detailed statement on Petroleum Costs in respect of the preceding quarter ;
 - (d) prior to the end of February of each Calendar Year, an annual report on the Petroleum Operations carried out together with a detailed statement on Petroleum Costs in respect of the preceding Calendar Year.
- 8.3. In addition, the following reports or documents shall be furnished to the Government as soon as they are prepared or obtained :
 - (a) a copy of all geological surveys and syntheses together with the related maps ;
 - (b) a copy of all geophysical surveys, measurement and interpretation reports, maps, profiles, sections or other documents related thereto, as well as, at the Government's request, the originals of all recorded seismic magnetic tapes ;
 - (c) a copy of the drilling location and completion reports for each well together with a complete set of recorded logs ;
 - (d) a copy of all drill tests or production tests together with any study relating to the flow or production of a well ;
 - (e) a copy of all reports relating to core analyses.

All maps, sections, profiles, logs and all other geological or geophysical documents shall be supplied on an appropriate transparent support in view of subsequent reproduction.

A representative portion of the cores and cuttings removed from each well, as well as samples of fluids produced during drill tests or production tests shall also be supplied to the Government within a reasonable period.

Upon expiry or in the event of surrender or termination of this Contract, the original documents and samples relating to the Petroleum Operations, including on request the magnetic tapes, shall be provided to the Government.

The Government through its duly designated representatives shall be entitled to have access at any time to the Contractor's files relating to the Petroleum Operations, of which at least one copy shall be kept in Côte d'Ivoire.

- 8.4. The Parties undertake to treat as confidential and not to disclose to Third Parties all or part of any documents and samples relating to the Petroleum Operations in respect of all the exploration periods as defined in Article 3, and in the event of surrender of an area until the date of such surrender with regard to the documents and samples relating to that surrendered area.

However, each Party may cause Third Parties selected by it to prepare studies in connection with the Petroleum Operations. Those may have access to documents and samples relating to the Petroleum Operations and shall undertake to treat them confidentially.

If it so desires, the Government may decide to increase the period of confidentiality specified in this Article 8.4.

- 8.5. The Contractor shall keep the Government informed of its activities through the duly designated representative of the latter. In particular, the Contractor shall notify to the Government as soon as possible and in any event at least fifteen (15) days in advance all projected Petroleum Operations, such as any geological surveys, seismic surveys, commencement of drilling, installation of a platform, etc.

In the event the Contractor decides to abandon a drilling, it shall notify the Government thereof within at least seventy-two (72) hours prior to such abandonment.

- 8.6. One or several duly authorized representatives of the Government shall have the right to supervise the Petroleum Operations and, at reasonable intervals, to inspect work, facilities, equipment, materials, records and books relating to the Petroleum Operations, provided that such inspection shall not unduly delay the proper conduct of said Petroleum Operations. That representative shall have, inter alia, the right to be present during the testing and the abandonment of any well.

In order to permit the exercise of the above-mentioned rights, the Contractor shall provide the Government's representatives with reasonable assistance, as regards, inter alia; transportation and accommodation. Transportation and accommodation expenses directly related to the supervision and inspection shall be charged to the Contractor and included in the Petroleum Costs.

- 8.7. The Contractor shall, as promptly as possible, inform the Government of any discovery of mineral substances.
- 8.8. For the purposes of this Article, the Government's designated representative shall be the "Directeur des Hydrocarbures" or any other person appointed by him.

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ARTICLE 9

OCCUPATION OF LAND

- 9.1. The Government shall make available to the Contractor, at no cost and only for the purposes of the Petroleum Operations, any land which it owns and which is necessary for said Operations. The Contractor shall have the right to build and maintain, above and below the ground, the facilities necessary for the Petroleum Operations. The Contractor shall not request the use of said lands unless there is a genuine need thereof and shall refrain from claiming any land occupied by buildings or property used by the Government.

The Contractor shall indemnify the Government for any damage caused to the land by the construction, use and maintenance of its facilities on such land.

The Government shall authorize the Contractor to build, use and maintain telephone, telegraph and piping systems above and below the ground and along the land not belonging to the Government, without claiming any compensation, provided that the Contractor causes as little damage as possible and pays to the land-owners, a reasonable compensation mutually agreed upon.

- 9.2. The rights on land owned by private persons, which would be necessary for the carrying out of the Petroleum Operations, shall be acquired by direct agreement between the Contractor and the private person concerned.

In the event of disagreement, the Contractor shall notify the Government thereof, and the latter shall proceed to expropriation for a public purpose, at Contractor's expenses. When determining the value of those property rights, no consideration shall be given to the Contractor's purpose for acquiring them and the Government agrees that no law or procedure for said acquisition shall have the effect of giving them an excessive value or a confiscation value. Those rights acquired by the Government shall be registered in its name, but the Contractor shall be entitled to benefit therefrom for the purposes of the Petroleum Operations, at no cost, during the entire term of this Contract. The Government guarantees that the Contractor shall be protected in the use and occupation of such land just as if it owns the property rights thereto.

ARTICLE 10

USE OF FACILITIES

- 10.1. For the purposes of the Petroleum Operations, the Contractor shall have the right to use, in accordance with the applicable laws, any railroad, tramway, road, airport, landing strip, canal, river, bridge, waterway and any telephone or telegraph network in Côte d'Ivoire whether owned by the Government or by any private enterprise, subject to the payment of fees then in effect or mutually agreed upon which will not be in excess of the prices and tariffs charged to Third Parties for similar services.

The Contractor shall also have the right to use for the purposes of the Petroleum Operations any land, sea or air transportation means for the transportation of its employees or equipment, subject to compliance with the laws and regulations which generally govern the use of such means of transportation.

- 10.2. The Government shall have the right to use for exceptional matters any transportation and communication facility installed by the Contractor, subject to a fair compensation mutually agreed upon which will not be in excess of the prices and tariffs charged to Third Parties for similar services, provided that, in the Contractor's opinion, such use by the Government does not hinder or cause prejudice to the Petroleum Operations.

Under the same conditions, in the event of national necessity, inter alia, national catastrophes, cataclysms, internal or external threats, the Contractor shall make its facilities available to the Government at the latter's request.

- 10.3. Nothing in this Contract shall limit the Government's right to build, operate and maintain on, under and along the land made available to the Contractor for the purposes of the Petroleum Operations, roads, railroads, airports, landing strips, canals, bridges, flood protection works, police stations, military facilities, pipelines, useful telephone and telegraph lines, provided that such right is not exercised in a manner which restricts or hinders the Contractor's rights hereunder, or the Petroleum Operations, or causes prejudice thereto, except in the event of national necessity.

Under the same conditions, the Government may authorize persons to build, operate and maintain any facilities within the Delimited Area.

ARTICLE 11

APPRAISAL OF A PETROLEUM DISCOVERY

11.1. In the event the Contractor discovers Petroleum, it shall, as promptly as possible, notify the Government thereof and submit to it, within thirty (30) days after the date of the temporary plugging or abandonment of the discovery well, a report including all information relating to said discovery.

11.2. If the Contractor wishes to undertake appraisal work relating to the above-mentioned Petroleum discovery, it shall submit for approval to the Government, within six (6) months after the date of notification of said discovery, the appraisal work program and the estimate of the related budget.

The provisions of Articles 5.2 and 5.3 shall be applicable, mutatis mutandis, to said program as regards its approval and performance, it being understood that the submitted program may not be rejected or modified by the Government provided that it complies with good international petroleum industry practice.

11.3. If the Contractor meets the conditions referred to in Article 11.2 and on request to the Government, the latter shall grant to it an exclusive appraisal authorization for a duration of two (2) years from the date of approval of the appraisal work program and the related budget, in respect of the Appraisal Perimeter specified in said program. Except otherwise provided by this Article, the Contractor shall, during the term of said exclusive appraisal authorization, be subject to the same regime as that applicable to the exclusive exploration authorization.

11.3.1. The Contractor shall then diligently carry out the appraisal work program for the discovery in question ; in particular it shall drill the appraisal wells and carry out the production tests specified in said program.

At the Contractor's request, notified at least thirty (30) days prior to the expiry of the appraisal period above-defined, the duration of said period may be extended by a maximum of six (6) months, provided that such extension is justified by the continuation of the drilling and production tests specified in the appraisal program.

11.3.2. Within three (3) months after the completion of appraisal work, and no later than thirty (30) days prior to the expiry of the appraisal period, the Contractor shall provide the Government with a detailed report giving all the information relating to the discovery and the appraisal thereof.

- 11.3.3. If, after having carried out the appraisal work, the Contractor considers that the Field corresponding to the Petroleum discovery is commercial, it shall submit to the Government, together with the previous report, an application for an exclusive exploitation authorization accompanied by a detailed development and production plan for said Field, specifying inter alia :
- (a) the planned delimitation of the Exploitation Perimeter applied for by the Contractor, so that it covers the area defined by the seismic closure of the Field concerned, together with all the technical justifications with respect to the extent of said Field ;
 - (b) an estimate of the reserves in place, the proven and probable recoverable reserves and the corresponding annual productions, together with a study on the methods of recovery and the possible valorization of the products associated with Crude Oil, such as any Associated Natural Gas ;
 - (c) item by item, the description of equipment and work necessary for production, such as the number of development wells, the number of platforms, pipelines, production, processing, storage and loading facilities together with their specifications ;
 - (d) the estimated schedule for its implementation and the projected date of production start-up ;
 - (e) the estimates of investments and exploitation costs together with an economic evaluation demonstrating the commercial nature of the discovery in question.
- 11.3.4. The commercial nature of one or more Petroleum Fields shall be determined by the Contractor, provided that it shall, at the end of appraisal work, submit to the Government the economic study referred to in Article 11.3.3 (e) demonstrating the commercial nature of said Field or Fields.
- A Field may be declared commercial by the Contractor if, after taking into account the provisions of this Contract and the submitted development and production plan, the projected incomes and expenses determined in accordance with good international petroleum industry practice confirm the commercial nature of said Field.
- 11.3.5. For the purposes of evaluating the commercial nature of said Field or Fields, the Government and the Contractor shall meet within thirty (30) days after the submission of the development and production plan accompanied by the economic evaluation.

11.3.6. The development and production plan submitted by the Contractor shall be subject to the approval of the Government. Within ninety (90) days after the submission of said plan, the Government may propose revisions or modifications hereto by notifying the Contractor thereof with all the useful justifications. In that event, the Parties shall meet as soon as possible in order to consider the proposed revisions or modifications and establish by mutual agreement the plan in its final form ; the plan shall be deemed to be approved by the Government upon the date of such agreement.

Should the Government fail to notify the Contractor of its wish for revision or modification within the above-mentioned ninety (90) days' period, the plan submitted by the Contractor shall be deemed to be approved by the Government at the expiry of said period.

11.4. When the Contractor does not wish to undertake the appraisal work in respect of the Petroleum discovery referred to in Article 11.1, the provisions of Article 3.8 shall be applicable.

11.5. If for reasons not technically justified the Contractor, within twelve (12) months after notification to the Government of a Petroleum discovery, has not applied for an exclusive appraisal authorization or if, after its granting, it has not commenced the appraisal work in respect of said discovery, or if the Contractor, within eighteen (18) months after completion of the appraisal work, does not declare the discovery as commercial, the Government may require that the Contractor surrenders all its rights in respect of the area deemed to encompass said discovery without any compensation for the Contractor. If, within sixty (60) days after Government's request, the Contractor has not notified its decision, it shall surrender said area and will forfeit all its rights on Petroleum which could be produced from said discovery, and any area so surrendered shall be deducted from the surfaces to be surrendered under Article 3.5.

11.6. Any quantity of Petroleum produced from a discovery before it is declared commercial, not used for the requirements of the Petroleum Operations or lost, shall be measured according to the provisions of Article 15.9 and included in the Total Production for the purposes of Articles 16 and 17.

ARTICLE 12

GRANT OF AN EXCLUSIVE EXPLOITATION AUTHORIZATION IN RESPECT OF A COMMERCIAL DISCOVERY

- 12.1. A commercial Petroleum discovery shall entitle the Contractor to an exclusive right, if it so requests pursuant to the conditions set forth in Article 11.3.3., to obtain, in respect of the Field concerned, an exclusive exploitation authorization covering the related Exploitation Perimeter. Said authorization shall be granted by the Government as soon as possible.
- 12.2. If the Contractor makes several commercial discoveries in the Delimited Area, each such discovery shall, in accordance with the provisions of Article 12.1, give rise to an exclusive exploitation authorization each corresponding to an Exploitation Perimeter. The number of exclusive exploitation authorizations and related Exploitation Perimeters within the Delimited Area shall not be limited.
- 12.3. If in the course of work carried out after the grant of an exclusive exploitation authorization, it appears that the area defined by the seismic closure of the Field concerned is larger than originally estimated pursuant to Article 11.3.3, the Government shall grant to the Contractor, as part of the exclusive exploitation authorization already granted, an additional area so that the entirety of said Field is included in the Exploitation Perimeter, provided, however, that the Contractor supplies the Government, together with its application, with the technical evidence of the extension so required and provided, further, that the above-mentioned extension is an integral part of the Delimited Area as defined at the time of said application.
- 12.4. Where a Field extends beyond the boundaries of the Delimited Area, the Government may require the Contractor to exploit said Field in association with the rightholder of the adjacent area under the provisions of a so-called unitization agreement.

Within six (6) months after the Government has notified its request, the Contractor shall submit to its approval the development and production plan of the Field concerned which shall be prepared in agreement with the rightholder of the adjacent area.

ARTICLE 13

DURATION OF THE EXPLOITATION PERIOD

- 13.1. The duration of an exclusive exploitation authorization during which the Contractor is authorized to carry out the exploitation of a Field declared commercial is set at twenty-five (25) years from its date of issue.

If, upon expiry of the exploitation period of twenty-five (25) years above-defined, a commercial exploitation of a Field remains possible the Government shall authorize the Contractor, at the latter's justified request submitted at least twelve (12) months prior to said expiry, to continue under this Contract the exploitation of said Field during an additional period of no more than ten (10) years, provided that the Contractor has fulfilled all its obligations during the current exploitation period.

If, upon expiry of that additional exploitation period, a commercial exploitation of said Field remains possible, the Contractor may require to the Government, at least twelve (12) months prior to said expiry, to be authorized to continue the exploitation of said Field under this Contract, during an additional period to be agreed upon.

- 13.2. The Contractor may, at any time, fully or partially surrender any exclusive exploitation authorization by giving at least twelve (12) months' prior notice, which may be reduced with the Government's consent. That notice shall be accompanied by the list of steps which the surrendering Contractor undertakes to take, in accordance with good international petroleum industry practice, arising out of its surrender, and such surrender shall only be effective upon completion of the required abandonment work.
- 13.3. Interruption of development work or production of a Field declared commercial, for a consecutive period of at least six (6) months, decided by the Contractor without the Government's consent, or abandonment of the exploitation of a Field, may give rise to the withdrawal of the exclusive exploitation authorization concerned together with the termination of this Contract as provided by Article 37.4.

- 13.4. Upon expiry, surrender or withdrawal of the last exclusive exploitation authorization granted to the Contractor, this Contract shall terminate.
- 13.5. The expiry or termination of this Contract, whatever the reason thereof, shall not relieve the Contractor of any obligations incurred prior to, or arising from, said expiry or termination and which shall be fulfilled, with respect to, inter alia, the provisions of Article 20.
- 13.6. In the event of any surrender, withdrawal or upon expiry of an exclusive exploitation authorization, if the Government considers that the exploitation can be continued by another exploiter, the Government shall have the right to have it exploited, without any compensation for the Contractor. The Parties shall meet together with a view to ensuring the continuity of exploitation.

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ARTICLE 14

EXPLOITATION OBLIGATION

- 14.1. For any Field in respect of which an exclusive exploitation authorization has been granted, the Contractor undertakes to perform, at its sole cost and its own financial risk, all the Petroleum Operations useful and necessary for the exploitation of said Field.
- 14.2. However, if the Contractor can provide accounting evidence, during either the development period or the production period, that the exploitation of a Field cannot be commercially profitable, notwithstanding that an exclusive exploitation authorization has been granted in accordance with the provisions of Article 12.1, the Government agrees not to force the Contractor to continue the exploitation of such Field.

In that event, the Government, in its discretion, may withdraw the exclusive exploitation authorization concerned from the Contractor without any compensation for the latter, by giving a sixty (60) days' prior notice, and the provisions of Articles 13.6 and 20 shall, inter alia, be applicable.

ARTICLE 15

CONTRACTOR'S OBLIGATIONS AND RIGHTS

IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORIZATIONS

- 15.1. The Contractor shall commence development work not later than six (6) months after approval of the development and production plan referred to in Article 11.3.6. and shall continue it with the maximum diligence.
- 15.2. The provisions of Articles 5, 6, 7, 8, 9 and 10 are also applicable, mutatis mutandis, in respect of any exclusive exploitation authorization.
- 15.3. The Contractor shall have the right to build, use, operate and maintain all the Petroleum storage and transportation facilities which are necessary for the production, transportation and sale of Petroleum produced, pursuant to the conditions specified in this Contract.

The Contractor may determine the route and location of any pipeline inside Côte d'Ivoire which is necessary for the Petroleum Operations, provided that it shall submit true plans to the Government for approval prior to the commencement of work ; any pipeline crossing or running alongside roads or passageways (other than those used exclusively by the Contractor) shall be built so as not to hinder the passage on those roads or passageways.

The conditions of transportation as well as the safety regulations relating to those structures, shall be the purpose of an agreement between the Parties.

- 15.4. The Contractor may, to the extent and for the duration of the excess capacity of a pipeline or processing, transportation or storage facility built for the purposes of the Petroleum Operations, be obligated to accept the flow of Petroleum coming from exploitations other than that of the Contractor, provided that such flow shall not cause prejudice to the Petroleum Operations, and provided, further, that a reasonable tariff covering a normal remuneration for capital invested in respect of the pipeline or facility concerned shall be paid by the user.
- 15.5. Following the grant of an exclusive exploitation authorization, the Contractor undertakes to proceed diligently with the carrying out of development wells, spacing them in a manner so as to ensure, in accordance with good international petroleum industry practice, the maximum economic recovery of the Petroleum contained in the Field in question.

- 15.6. The Contractor shall, in the conduct of development and production operations, comply with all good international petroleum industry practice which in particular ensures the good conservation of Fields and maximum economic recovery of Petroleum.

The Contractor shall, inter alia, carry out enhanced recovery studies and use such recovery processes if they may lead to an increase in Petroleum recovery rate under economic conditions.

- 15.7. The Contractor shall provide the Government with all the reports, studies, measurement results, tests and documents enabling the monitoring of the proper exploitation of each Field.

The Contractor shall, in particular, carry out the following measures on each producing well :

- (a) monthly testing of production and gas/oil ratio ;
- (b) half-yearly measurement of the Field reservoirs pressure.

- 15.8. The Contractor undertakes to produce every year from each Field quantities of Petroleum in accordance with the provisions of Article 15.6.

The annual production rates of each Field shall be submitted by the Contractor together with the Annual Work Programs referred to in Article 5 to the approval of the Government which shall not be withheld provided that the Contractor gives proper technical and economic grounds.

- 15.9. The Contractor shall measure, in a point mutually agreed between the Parties, all Petroleum produced not used for the requirements of the Petroleum Operations and excluding unavoidable losses, after extraction of water and sediments, by using, after approval by the Government, the measurement appliances and procedures customarily used in the international petroleum industry.

The authorized Government's representatives shall have the right to examine those measurements and inspect or cause to be inspected the appliances or procedures used.

If the Contractor wishes to change said measurement appliances or procedures, it shall obtain prior approval from the Government.

Where the appliances and procedures used therefore have caused an overstatement or understatement of measured quantities, the error shall be deemed to have existed since the date of the last calibration of the appliances, unless the contrary can be justified, and the proper adjustment shall be made for the period of existence of such error.

ARTICLE 16

RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING

- 16.1. From the commencement of regular production of Crude Oil, the Contractor shall market all the production of Crude Oil obtained from the Delimited Area, in accordance with the provisions hereinafter defined.
- 16.2. For the purposes of recovery of the Petroleum Costs, the Contractor may freely take each Calendar Year a portion of the production in no event greater than ___ per cent (___%) of the Total Production of Crude Oil from the Delimited Area, or only any lesser percentage which would be necessary and sufficient.

The value of such portion of Total Production allocated to the recovery of the Petroleum Costs by the Contractor, as defined in the preceding paragraph, shall be calculated in accordance with the provisions of Article 18.

If during a Calendar Year the Petroleum Costs not yet recovered by the Contractor under the provisions of this Article 16.2 exceed the equivalent in value of ___ per cent (___%) of the Total Production of Crude Oil from the Delimited Area, as calculated above, the balance of the Petroleum Costs which cannot be recovered in that Calendar Year shall be carried forward in the following Calendar Year or Years until full recovery of the Petroleum Costs or until the expiry of this Contract.

- 16.3. The quantity of Crude Oil from the Delimited Area remaining during each Calendar Year after the Contractor has taken from the Total Production the portion necessary for the recovery of the Petroleum Costs under the provisions of Article 16.2, hereinafter referred to as "Remaining Production", shall be shared between the Government and the Contractor as follows :

Option I or II to be selected by the Contractor at the time of its application :

OPTION I

The Remaining Production shall be shared according to the daily Total Production from the Delimited Area :

Increments of daily Total Production (in Barrels per day)	Government's share	Contractor's share
from 0 to 15,000	_____%	_____%
from 15,000 to 30,000	_____%	_____%
from 30,000 to 50,000	_____%	_____%
over 50,000	_____%	_____%

For the purpose of this Article, the daily Total Production shall be the average rate of Total Production during the calendar quarter in question.

When the Delimited Area includes water depths both lesser and greater than 200 meters, different production sharing increments according to these water depths may be provided for.

OPTION II

The Remaining Production shall be shared according to the value of the "R" ratio hereinafter defined :

Value of "R"	Government's share	Contractor's share
less than 1	_____%	_____%
from 1 to 2	_____%	_____%
from 2 to 3	_____%	_____%
greater than 3	_____%	_____%

For the purpose of this Article, "R" represents the ratio between "Cumulative Net Revenues" and "Cumulative Investments" calculated at the end of the preceding Calendar Year, where :

- "Cumulative Net Revenues" means the sum, from the Effective Date until the end of the preceding Calendar Year, of the Contractor' revenues obtained under the provisions of Articles 16.2 and 16.3, less the sum of the Petroleum Costs only in respect of the exploitation expenses. (and the sum of income tax related to the Delimited Area and paid in Côte d'Ivoire for all the tax periods preceding that of the current Fiscal Year. **To be added if the production sharing is determined before the payment of income tax as provided by Article 17.1 hereafter).**
- "Cumulative Investments" means the sum, from the Effective Date until the end of the preceding Calendar Year, of the Petroleum Costs only in respect of the exploration expenditures, appraisal expenditures and development expenditures. Neither recovery nor depreciation of said expenditures shall be taken into account for the calculation of the sum of expenditures specified above.

End of Options I and II

For the purposes of the tax legislation of the Republic of Côte d'Ivoire, the quantity of Crude Oil that the Government will receive during each Calendar Year pursuant to this Article 16.3 shall include the portion necessary to pay any tax(es) of the Contractor in Côte d'Ivoire which will be assessed on its incomes. The Government agrees to pay from this portion any income tax(es) on behalf and in the name of the Contractor and to deliver to the latter official receipts of such payments as provided for in Article 17.6. For the determination of the value of said portion necessary for the payment of income tax, the Government shall use the sale price defined in Article 18. The portion of Crude Oil to which the Government is entitled and which corresponds to the income tax shall be determined separately and specified pursuant to the provisions of this Article. **(The preceding paragraph is to be deleted if the production sharing is determined before the payment of income tax as provided by Article 17.1 hereafter).**

- 16.4. The Government may receive its share of production defined in Article 16.3 either in kind or in cash, it being understood that the Government's share of production includes, inter alia, a contribution to the State "Fonds d'Actions Pétrolières" which is equal to fifteen per cent (15%) thereof.
- 16.5. If the Government wishes to receive in kind all or part of its share of production defined in Article 16.3, it shall so notify in writing the Contractor at least ninety (90) days prior to the beginning of the calendar quarter concerned specifying the precise quantity that it wishes to receive in kind during said quarter.

For that purpose, the Contractor shall not enter into any sale commitment in respect of the Government's share of production for a term of more than one (1) year without the written consent of the Government.

- 16.6. If the Government wishes to receive in cash all or part of its share of production defined in Article 16.3, or if the Government has not notified the Contractor of its decision to receive its share of production in kind pursuant to Article 16.5, the Contractor shall market the Government's share of production to be taken in cash for the quarter concerned, lift said share during such quarter and pay to the Government, within thirty (30) days following the date of each lifting, an amount equal to the quantity corresponding to the Government's share of production multiplied by the sale price defined in Article 18.

The Government may require payment, for sales of its share of production sold by the Contractor, in Dollars or in the foreign currency in which the sale has been made.

ARTICLE 17

TAXATION

- 17.1. Unless otherwise provided for in this Contract, the Contractor shall, in respect of its Petroleum Operations, be subject to the laws generally applicable and the regulations in force in Côte d'Ivoire concerning taxes which are or may be levied on incomes, or determined thereto, which taxes are acknowledged as including that set forth in Law n° 70-489 of August 3, 1970, and the Contractor shall file the tax returns which could be required in such respect.

It is specifically acknowledged that the provisions of this Article shall apply individually to any entity comprising the Contractor under this Contract.

The Contractor shall keep separate accounts for each Fiscal Year in respect of the Petroleum Operations, in accordance with the regulations in force in Côte d'Ivoire, enabling in particular the establishment of a profit and loss account as well as a balance sheet showing both the results of said Petroleum Operations and the asset and liability items allocated or related thereto.

- 17.2. For the purposes of Article 17.1, the Contractor shall, in respect of its net profit arising from Petroleum Operations, be liable to an industrial and commercial income tax ("impôts sur les bénéfices industriels et commerciaux") of fifty per cent (50%), as provided by the second paragraph of Article 1 of the General Tax Code ("Code Général des Impôts").

In accordance with the provisions of the last paragraph of Article 16.3, the Contractor shall not be liable to any payment to the Government with respect to said tax. As regards the tax authorities of Côte d'Ivoire, the share of Crude Oil, which the Contractor is entitled to receive under the provisions of Articles 16.2 and 16.3, is considered as representing the recovery of the Petroleum Costs and the net profit obtained by the Contractor after payment of such industrial and commercial income tax.

Where an after tax production sharing is agreed, the following paragraph will replace the preceding one.

Such tax shall, at Government's option, be payable part or all in kind or in cash. If the Government wishes the payment in cash, in whole or in part, it shall so notify in writing the Contractor ninety (90) days prior to the

beginning of each Fiscal Year for which said tax is payable. The Crude Oil price shall be valued in accordance with the principles set forth in Article 18. Tax payable in kind shall be paid as uniformly as possible during each Fiscal Year with settlement of the balance upon filing of the annual tax return concerned, in accordance with the procedure provided for in the General Tax Code and pursuant to a detailed procedure to be mutually agreed between the Parties in due time. Tax payable in cash shall be paid in accordance with a system of quarterly payment on account with settlement of the balance upon filing of the annual tax return concerned.

17.3. For the purposes of determining the Contractor's taxable net income in respect of a Fiscal Year, the profit and loss account shall, inter alia, be credited by the following :

(a) the Contractor's annual gross income recorded in its accounting books, arising from the marketing of the quantity of Crude Oil to which it is entitled under Articles 16.2 and 16.3.

The Contractor guarantees that the prices obtained from the export of Crude Oil will reflect as faithfully as possible the prevailing international market prices at the time they are established.

(b) all other incomes or proceeds related to the Petroleum Operations, including inter alia those arising from :

- the sale of related substances ;
- processing, transportation or storage of products for Third Parties in the facilities dedicated to the Petroleum Operations ;
- capital gains realized in connection with the assignment or transfer of any items of Contractor's assets or the assignment, in whole or in part, of rights and obligations arising from this Contract ;
- exchange gains realized in connection with the Petroleum Operations.

(c) the value of the share of Petroleum taken by the Government in accordance with the last paragraph of Article 16.3 for payment of the income tax set forth in Article 17.1 for the Fiscal Year concerned. **(This paragraph (c) is to be deleted if the production sharing is determined before the payment of income tax).**

17.4. Such profit and loss account shall be debited with all charges necessary for the purposes of the Petroleum Operations in respect of the Fiscal Year concerned, which may lawfully be deducted under the applicable laws of Côte d'Ivoire and the provisions of this Contract.

In particular may be debited from the income of the Fiscal Year concerned the following items :

(a) In addition to the charges specifically set forth below in this Article 17.4, all other Petroleum Costs, including the costs of supplies, personnel and manpower expenses, costs of services provided to the Contractor in respect of the Petroleum Operations.

However :

- Costs of supplies, personnel and services rendered by Affiliated Companies shall be deductible provided that they do not exceed those which would be normally charged in arm's length transactions between independent buyer and seller for identical or similar supplies or services.
- Capital expenditures shall be depreciated from commencement of a commercial exploitation in the Delimited Area. The depreciation deductible in respect of the Fiscal Year concerned shall be equal, to the extent of capital expenditures remaining to be depreciated, to the difference, if positive, between the amount of the Petroleum Costs recovered for the Fiscal Year in question pursuant to Article 16.2 and the total of the other charges debited from the profit and loss account in accordance with this Article 17.4.

(b) Overhead costs relating to the Petroleum Operations performed under this Contract, including without limitation :

- Rentals for movable and immovable properties as well as insurance premiums ;
- A reasonable portion, in light of the services rendered to the Petroleum Operations performed in Côte d'Ivoire, of wages and salaries paid to managers and employees residing abroad, and the general and administrative overhead costs of the central services of the Contractor and its Affiliated Companies working for its account, located abroad, and indirect costs incurred by said central services abroad for their account. Overhead costs paid abroad shall in no event be greater than the limits specified in the Accounting Procedure.

- (c) Interests and agios paid to creditors of the Contractor, for their actual amount, subject to the limits specified in the Accounting Procedure.

Shareholders and Affiliated Companies shall not be considered as "third parties" for the purposes of Article 58.8 (e) of the Petroleum Code and therefore the advances and loans made by them outside Côte d'Ivoire shall not be submitted to the approval of the Administration as provided for in said Article, but shall be declared hereto and, pursuant to the preceding paragraph, shall also be subject to the limitations specified in the Accounting Procedure.

- (d) Losses of materials or assets resulting from destruction or damage, assets which are renounced or abandoned during the year, bad debts, indemnities paid to Third Parties as compensation for damage.
 - (e) Reasonable and justified reserves made for clearly identified future losses or liabilities which current events render probable.
 - (f) Any other losses or charges directly related to the Petroleum Operations, including exchange losses realized in connection with the Petroleum Operations as well as bonuses and amounts paid during the Fiscal Year pursuant to Article 19 and Article 30.2 respectively, excluding the amount of direct income tax determined in accordance with the provisions of this Article.
 - (g) The amount of non-offset losses relating to previous Fiscal Years in accordance with the regulations of Côte d'Ivoire.
- 17.5. The Contractor's taxable net profit shall be equal to the difference, if positive, between all the amounts credited and all the amounts debited in the profit and loss account. If this amount is negative, it shall constitute a loss.
- 17.6. Within three (3) months after the end of a Fiscal Year, each entity constituting the Contractor shall submit to the competent tax authorities its annual tax return together with financial statements, as required by the applicable regulations.

The Government shall, after submission of said annual tax return and acknowledgment of tax payment, furnish to the Contractor within a reasonable period the tax receipts and all other documents certifying that the Contractor has, for the Fiscal Year in question, complied with all its tax obligations with respect to the industrial and commercial income tax as defined in this Article.

- 17.7. Apart from the industrial and commercial income tax defined in this Article and the bonuses provided for in Article 19, the Contractor shall be exempt from all other levies, duties, taxes or contributions of any nature whatsoever arising from the Petroleum Operations and any revenues related thereto or, more generally, on Contractor's property, activities or actions, including its establishment and its operation hereunder.

In particular, the Contractor, its suppliers, subcontractors and Affiliated Companies shall be exempt from the taxes on turnover (value added taxes and taxes on services) which would be payable in connection with sales made by, work performed for and services rendered to the Contractor under this Contract.

The shareholders of the entities constituting the Contractor, their Affiliated Companies shall also be exempt from all levies, duties, taxes and contributions in respect of any dividends received, debts, loans and related interest, purchases, transportation of Petroleum for export, services rendered and, more generally, any revenues or activities in Côte d'Ivoire directly related to the Petroleum Operations.

Assignments of any kind between the companies signing this Contract and their Affiliated Companies as well as any assignment made in accordance with the provisions of Article 35 shall be exempt from any duties or taxes payable in such respect.

- 17.8. Notwithstanding the foregoing provisions, land taxes shall be payable pursuant to the applicable laws on dwelling buildings and the above-mentioned exemptions shall not apply to any duties, taxes and royalties payable as compensation for services rendered by administrations, public collectivities and bodies of Côte d'Ivoire. However, the tariffs charged in such cases in respect of the Contractor and its subcontractors, carriers and clients and its agents, shall be reasonable in relation to the services rendered and shall correspond to tariffs generally charged for the same services by said administrations, public collectivities and bodies.

ARTICLE 18

VALUATION OF PETROLEUM

- 18.1. For the purposes of this Contract, and in particular for the purposes of Articles 16.2, 16.6, 17., 22. and 28., the Crude Oil price shall be the F.O.B. "Market Price" at the Delivery Point, expressed in Dollars per Barrel and payable within thirty (30) days after the date of the bill of lading, as determined hereinafter for each quarter.

A Market Price shall be determined for each type of Crude Oil or Crude Oil mix.

- 18.2. The Market Price applicable to liftings of Crude Oil made during a calendar quarter shall be calculated at the end of said quarter and shall be equal to the weighted average of the prices obtained for Crude Oil from the delimited Area during said quarter by the Contractor and by the Government from independent purchasers, as adjusted to take into account the differences in quality and gravity as well as in F.O.B. delivery terms and payment conditions, provided that the quantities so sold to independent purchasers during the quarter concerned represent at least thirty per cent (30%) of the total quantities of Crude Oil from the Delimited Area sold during said quarter.

- 18.3. In the event such sales are not made, or do not represent thirty per cent (30%) of the total quantities of Crude Oil from the Delimited Area sold during the quarter concerned, the Market Price shall be determined on the basis of the prices obtained on the international market during said quarter between independent buyers and sellers for sales of crude oils of quality similar to the Crude Oil from the Delimited Area in the same markets as those in which the Ivorian Crude Oil would normally be sold, as adjusted to take into account the differences in quality, gravity, transportation as well as in sales and payment conditions.

The Parties shall select those reference crude oils at the beginning of each Calendar Year.

- 18.4. The following transactions shall, inter alia, be excluded from the calculation of the Market Price of Crude Oil :
- (a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities constituting the Contractor ;
 - (b) sales in the Ivorian domestic market under Article 28.1 ;

(c) sales in exchange for other than payment in freely convertible currencies and sales fully or partially made for reasons other than the usual economic incentives involved in Crude Oil sales on the international market (such as exchange contracts, sales from government to government or to government agencies).

18.5. Within ten (10) days following the end of each quarter, the Parties shall advise each other of the prices obtained for their share of production of Crude Oil from the Delimited Area sold to independent purchasers during the quarter in question, indicating for each sale the identity of the purchaser, the quantities sold, the delivery and payment terms.

Within twenty (20) days following the end of each quarter, the Contractor shall determine in accordance with the provisions of Article 18.2 or Article 18.3, as the case may be, the Market Price applicable for the quarter concerned, and shall notify the Government of that Market Price, indicating the method of calculation and all data used in the calculation of that Market Price.

Within thirty (30) days following receipt of the notice referred to in the preceding paragraph, the Government shall verify that the calculation of Market Price complies with the provisions hereof and shall notify the Contractor of its acceptance or objections. Failing notification from the Government within that thirty (30) days' period, the Market Price provided for in the Contractor's notice referred to in the preceding paragraph shall be deemed to have been accepted by the Government.

In the event the Government should have notified objections to the Market Price, the Parties shall meet within fifteen (15) days following the Government's notification to mutually agree on the Market Price. If the Parties fail to agree on the Market Price applicable to a given quarter within seventy five (75) days after the end of that quarter, the Government or the Contractor may immediately submit to an expert, appointed in accordance with the following paragraph, the determination of the Market Price (including the determination of reference crude oils if the Parties have not determined them). The expert shall determine the price within thirty (30) days after his appointment and his conclusions shall be final and binding on the Parties. The expert shall decide in accordance with the provisions of this Article.

The expert shall be selected by agreement between the Parties or, if no agreement is reached, by the International Center of technical expertise of the International Chamber of Commerce in accordance with its rules on technical expertise, at the request of the most diligent Party. The expertise costs shall be charged to the Contractor and included in the Petroleum Costs.

18.6. In the event it would be necessary to calculate on a provisional basis during a quarter the Crude Oil price applicable to the liftings made during said quarter, that price shall be established as follows :

- (a) For any sale to independent buyers, the price applicable to that sale shall be the price obtained for the Crude Oil for said sale, as adjusted to take into account the F.O.B. delivery terms and thirty (30) days payment terms.
- (b) For any lifting other than those which are the subject of a sale to independent buyers, the price applicable to that lifting shall be the Market Price determined for the preceding quarter or, if that Market Price has not been determined, a price set up by agreement between the Parties or, failing agreement, the last known Market Price.

Once the Market Price for a quarter has been determined on a final basis, adjustments, if required, shall be made within thirty (30) days.

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ARTICLE 19

BONUSES

- 19.1. The Contractor shall pay to the competent department of the "Direction Générale des Impôts" of Côte d'Ivoire, pursuant to Articles 981 and 982 of the Finance Act (1981 budget), a signature bonus of an amount of _____ million Dollars within thirty (30) days following the Effective Date.

As an exceptional measure, the signature bonus is repealed for the purpose of the 1990 Promotion of Petroleum Exploration in Côte d'Ivoire for all the contracts signed prior to July first (1st), 1991.

- 19.2. In addition, the Contractor shall pay to the competent department of the "Direction Générale des Impôts" of Côte d'Ivoire the following bonuses :
- (a) _____ million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of thirty thousand (30,000) Barrels per day during a period of thirty (30) consecutive days.
 - (b) _____ million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of fifty thousand (50,000) Barrels per day during a period of thirty (30) consecutive days.
 - (c) _____ million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of one hundred thousand (100,000) Barrels per day during a period of thirty (30) consecutive days.

Each of the amounts referred to in (a), (b) and (c) above shall be paid within thirty (30) days following the expiry of the reference period of thirty (30) consecutive days.

- 19.3. The payments referred to in Articles 19.1 and 19.2 shall not be recoverable and, therefore, shall in no event be considered as Petroleum Costs.

ARTICLE 20

OWNERSHIP AND ABANDONMENT OF ASSETS

- 20.1. Upon expiry, surrender or termination of this Contract, whatever the reason thereof, in respect of all or part of the Delimited Area, or at the end of exploitation of a Field, the Contractor shall transfer at no cost to the Government the ownership of assets, movables and immovables, used for the requirements of the Petroleum Operations carried out in the area so surrendered, located whether inside or outside the Delimited Area, such as wells and their equipment, buildings, warehouses, docks, lands, offices, plants, machinery and equipment, bases, harbours, wharfs, dykes, jetties, buoys, platforms, pipelines, roads, bridges, railroads and other facilities.

Such transfer of ownership shall cause the automatic cancellation of any security or surety concerning those assets, or which those assets constitute.

However, the Contractor may continue to use those assets beyond the date referred to in the first paragraph, for the requirements of its petroleum operations in Côte d'Ivoire governed by other contracts, subject to the billing by the Government of a reasonable rental tariff.

In addition, the provisions set forth in the first paragraph of Article 20.1 shall not apply to assets owned by Third Parties and which are rented by the Contractor.

- 20.2. If the Government decides not to accept, for all or part of the assets, the transfer of ownership provided for in Article 20.1, it may, not later than ninety (90) days following the date specified in said Article, require the Contractor, in accordance with good international petroleum industry practice, to perform abandonment operations and to remove, at the cost of the Contractor, the facilities relating to the surrendered area which would be no longer necessary.

ARTICLE 21

NATURAL GAS

21.1. Non-Associated Natural Gas

21.1.1. In the event of a Non-Associated Natural Gas discovery, the Contractor shall engage discussions with the Government with a view to determining whether the appraisal and exploitation of said discovery have a potentially commercial nature.

21.1.2. If the Contractor, after the above-mentioned discussions, considers that the appraisal of such Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery, in accordance with the provisions of Article 16.

The Contractor shall have the right, for the purposes of evaluating the commerciality of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days prior to the expiry of the third exploration period set forth in Article 3.3, to be granted an exclusive appraisal authorization concerning the Appraisal Perimeter of the above-mentioned discovery, for a term of four (4) years instead of the two (2) years provided for in Article 11.1.

In addition, the Parties shall jointly evaluate the possible outlets for the Natural Gas from the discovery in question, both on the local market and for export, together with the necessary means for its marketing, and they shall consider the possibility of a joint marketing of their shares of production in the event the Natural Gas discovery would not otherwise be commercially exploitable. For that purpose, a Consultative Committee for Natural Gas shall be established by the Parties to ensure the coordination of the upstream and downstream components of the Natural Gas project and facilitate its evaluation and implementation.

21.1.3. Following completion of appraisal work, in the event the Parties should jointly decide that the exploitation of that discovery is justified to supply the local market, or in the event the Contractor should undertake to develop and produce that Natural Gas for export, the Contractor shall submit prior to the expiry of the appraisal period an application for an exclusive exploitation authorization which the Government will grant under the terms provided by Article 12.1.

The Contractor shall then have the right and the obligation to proceed with the development and production of that Natural Gas in accordance with the approved development plan referred to in Article 11.3, and the provisions of this Contract applicable to Crude Oil shall apply, mutatis mutandis, to Natural Gas, unless otherwise specifically provided under Article 21.3.

21.1.4. If the Contractor considers that the appraisal of the Non-Associated Natural Gas discovery concerned is not justified, the Government may, by giving twelve (12) months' prior notice which may be reduced either with the Contractor's consent or automatically in the event the exclusive exploration authorization expires earlier, require the Contractor to surrender its rights in respect of the area encompassing said discovery.

In the same manner, if the Contractor, after completion of appraisal works, considers that the Non-Associated Natural Gas discovery is not commercial, the Government may, by giving three (3) months' prior notice unless the exclusive exploration authorization expires earlier, require the Contractor to surrender its rights on the area encompassing said discovery.

In both cases, the Contractor shall forfeit its rights on all Petroleum which could be produced from said discovery, and the Government may then carry out, or cause to be carried out, all the appraisal, development, production, processing, transportation and marketing work relating to that discovery, without any compensation for the Contractor, provided, however, that said work shall not cause prejudice to the performance of the Petroleum Operations by the Contractor.

21.2. Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall state in the report referred to in Article 11.3.3. if it considers that the production of Associated Natural Gas is likely to exceed the quantities necessary for the requirements of the Petroleum Operations related to the production of Crude Oil (including reinjection operations), and if it considers that such excess is capable of being produced in commercial quantities. In the event the Contractor shall have informed the Government of such an excess, the Parties shall jointly evaluate the possible outlets for that excess of Natural Gas, both on the local market and for export (including the possibility of joint marketing of their shares of production of that excess of Natural Gas in the event such excess would not otherwise be commercially exploitable), together with the means necessary for its marketing.

In the event the Parties should decide that the development of the excess of Natural Gas is justified, or in the event the Contractor would wish to develop and produce that excess for export, the Contractor shall indicate in the development and production program referred to in Article 11.3.3. the additional facilities necessary for the development and exploitation of that excess and its estimate of the costs related thereto.

The Contractor shall then have the right to proceed with the development and exploitation of that excess in accordance with the development and production program approved by the Government under the terms provided by Article 11.3.6, and the provisions of the Contract applicable to Crude Oil shall apply, mutatis mutandis, to the excess of Natural Gas, unless otherwise specifically provided by Article 21.3.

A similar procedure shall be applicable if the sale or marketing of Associated Natural Gas is decided during the exploitation of a Field.

21.2.2. In the event the Contractor should not consider the exploitation of the excess of Natural Gas as justified and if the Government, at any time, would wish to utilize it, the Government shall notify the Contractor thereof, in which event :

- (a) the Contractor shall make available to the Government free of charge at the Crude Oil and Natural Gas separation facilities all or part of the excess that the Government wishes to lift ;
- (b) the Government shall be responsible for the gathering, processing, compressing and transporting of that excess from the above-mentioned separation facilities, and shall bear any additional costs related thereto ;
- (c) the construction of the facilities necessary for the operations referred to in paragraph (b) above, together with the lifting of that excess by the Government, shall be carried out in accordance with good international petroleum industry practice and in such a manner as not to hinder the production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any excess of Associated Natural Gas which would not be utilized under Articles 21.2.1 and 21.2.2, shall be reinjected by the Contractor. However, the Contractor shall have the right to flare said gas in accordance with good international petroleum industry practice, provided that the Contractor furnishes the Government with a report demonstrating that said gas cannot be economically utilized to improve the rate of recovery of Crude Oil by means of reinjection pursuant to the provisions of Article 15.6, and provided, further, that the Government approves said flaring, which approval shall not be unreasonably withheld.

21.3. Provisions common to Associated and Non-Associated gas

21.3.1. In order to encourage the exploitation of Natural Gas, the Government may grant to the Contractor specific benefits when they are duly justified concerning, inter alia, the recovery of the Petroleum Costs relating to Natural Gas, production sharing, bonuses and PETROCI participation. Those provisions shall be the purpose of a specific agreement, in accordance with the provisions of Article 37.5.

21.3.2. The Contractor shall have the right to dispose of its share of production of Natural Gas, in accordance with the provisions of this Contract. It shall also have the right to proceed with the separation of liquids from all Natural Gas produced, and to transport, store as well as sell on the local market or for export its share of liquid Petroleum so separated, which will be considered as Crude Oil for the purposes of their sharing between the Parties under Article 16.

21.3.3. For the purposes of this Contract, the Natural Gas price, expressed in Dollars per million BTU, shall be equal to:

- (a) with respect to Natural Gas export sales to Third Parties, the price obtained from purchasers;
- (b) with respect to sales on the local market of Natural Gas as a fuel, the equivalent of _____ per cent (_____ %) of the price of high sulfur heavy fuel oil (expressed in Dollars per million BTU) exported from or imported into Côte d'Ivoire, or such other price as the Government (or the national entity that the Government would set up for the distribution of Natural Gas on the local market) and the Contractor would mutually agree upon.

The above-mentioned equivalent price for the utilization of Natural Gas as a fuel shall be determined on the basis of the same calorific value with respect to commercial gas delivered at the entry point of the main gas transportation network, if any, or otherwise where delivered to large consumers. In the event of transfer of the gas at a delivery point located upstream, the selling price shall be adjusted accordingly.

21.3.4. For the purposes of Articles 16.3 and 19.2, the quantities of available Natural Gas, after deduction of the quantities used for the requirements of the Petroleum Operations, reinjected or flared, shall be expressed in a number of Barrels of Crude Oil such as one hundred and sixty five (165) cubic meters of Natural Gas as measured at the temperature of 15°C and at the atmospheric pressure of 1.01325 bar are deemed to be equal to one Barrel of Crude Oil, unless otherwise agreed between the Parties.

ARTICLE 22

PETROCI PARTICIPATION

- 22.1. In consideration of the work previously undertaken in the Delimited Area, PETROCI shall, from the Effective Date, be associated with the entities constituting the Contractor in order to participate in the Petroleum Operations, with an interest of ten per cent (10%) (hereinafter referred to as "Initial Participation").

PETROCI shall, in respect of and in proportion to its participation, have the same rights and obligations as those of the Contractor defined in this Contract, subject to the provisions of this Article.

- 22.2. Pursuant to the policy for promoting the petroleum industry in Côte d'Ivoire defined by the Government, PETROCI shall have the option to increase, in respect of any Exploitation Perimeter, the amount of its Initial Participation in accordance with the following provisions :
- (a) The Total Participation of PETROCI with respect to an Exploitation Perimeter, including the above-mentioned Initial Participation, may reach a maximum of twenty per cent (20%).
 - (b) Not later than six (6) months following the issue date of an exclusive exploitation authorization, PETROCI shall notify in writing the other entities constituting the Contractor of its wish to exercise its option to increase its participation with respect to the Exploitation Perimeter concerned, specifying the percentage of its additional participation (hereinafter referred to as "Additional Participation") for said Exploitation Perimeter. Failing notification within that six (6) months' period, PETROCI participation for that Perimeter shall remain equal to its Initial Participation.
 - (c) The Additional Participation shall be effective in respect of the Exploitation Perimeter concerned from the date of the notice referred to in Article 22.2 (b) above.
 - (d) Upon receipt of the written notice from PETROCI, all the entities constituting the Contractor other than PETROCI shall assign to PETROCI, immediately and together, each in proportion to its participation at that time, a percentage of their participation in the Exploitation Perimeter concerned, the total of which shall be equal to the percentage of the Additional Participation of PETROCI.
 - (e) As from the effective date of its Additional Participation, or failing notification referred to in Article 22.2 (b) six (6) months after the issue of an exclusive exploitation authorization, PETROCI shall :

- in respect of the exclusive exploitation authorization concerned, participate in the Petroleum Costs related to the corresponding Exploitation Perimeter in proportion to its Total Participation and subject to the provisions of Article 22.2 (f) ;
- if such authorization is the first exclusive exploitation authorization, reimburse, pursuant to Article 22.2 (g) and subject to the provisions of Article 22.2 (f), the other entities constituting the Contractor its percentage of Total Participation in the Petroleum Costs not yet recovered, incurred from the Effective Date of this Contract until the date of notification of its Additional Participation ;
- for each subsequent exclusive exploitation authorization, reimburse, pursuant to Article 21.2 (g) and subject to the provisions of Article 22.2 (f), the other entities constituting the Contractor its percentage of Total Participation in the Petroleum Costs with respect to the new Exploitation Perimeter not yet recovered, incurred from the date on which its Additional Participation relating to the previous exclusive exploitation authorization has been notified until the date on which the Additional Participation in respect of the new exclusive authorization exploitation has been notified.

(f) Taking into account the previous work already undertaken in the Delimited Area, PETROCI, in respect of its Initial Participation, shall not be obligated, during the entire term of this Contract, to finance nor reimburse its share of the Petroleum Costs relating exclusively to exploration expenditures and appraisal expenditures, those expenditures being borne and recoverable by the other entities constituting the Contractor in accordance with Article 16.2, each in proportion to its participation.

(g) As provided for in Article 22.2. (e), PETROCI shall reimburse the amounts of the Petroleum Costs resulting from its participation to the other entities constituting the Contractor as follows, at PETROCI's option :

- within six (6) months from the date of notice of the increase of its participation, by payment in Dollars or by payments in Crude Oil valued in accordance with the provisions of Article 18 ; or
- in kind by means of liftings by the Contractor of a portion of the share of Petroleum to which PETROCI is entitled under Article 16.3, not exceeding fifty per cent (50%) of said portion, the value of that share being calculated in accordance with the provisions of Article 18, until the value of those liftings is equal to the outstanding balance increased by interest as provided below. The outstanding balance due on the date of expiry of the above-mentioned period of six (6) months shall bear interest from that date until the date of reimbursement, at the

annual LIBOR six (6) months rate (London Interbank Offering Rate) as quoted by the National Westminster Bank in London plus one (1) percentage point, with annual compounding.

- 22.3. (a) PETROCI shall not be subject to contribute, in respect of its Initial Participation and/or Additional Participation, to the payment of the bonuses defined in Article 19, those being entirely payable by the other entities constituting the Contractor.
- (b) The joint venture between PETROCI and the Contractor must not in any event either cancel or cause prejudice to the rights of the other entities constituting the Contractor to refer to the arbitration clause provided by Article 32, which is not applicable to disputes between the Government and PETROCI but only to disputes between the Government and the other entities constituting the Contractor.

The Government shall notify the International Center for the Settlement of Investment Disputes, immediately after the Effective Date, that it agrees to include a clause providing for arbitration by said Center in the agreements to be concluded between PETROCI and the other entities constituting the Contractor, and it shall notify the other entities constituting the Contractor that it has fulfilled such formality ;

- (c) PETROCI, on the one hand, and the other entities constituting the Contractor, on the other hand, shall not be jointly and severally liable for the obligations resulting from this Contract as provided for in Article 35. PETROCI shall be individually responsible to the Government for its obligations under this Contract ;
- (d) Any failure by PETROCI to perform any of its obligations shall not be considered as a default of the other entities constituting the Contractor and shall not in any event be invoked by the Government in order to terminate this Contract in accordance with Article 37.4 or to refer to the procedure set forth in Article 37.3. ;
- (e) PETROCI may, at any time, assign to a company of its election controlled by the State all or part of the rights and obligations resulting from the participation set forth in this Article.
- 22.4. The terms of PETROCI participation together with the relations between the entities constituting the Contractor shall be determined in a Joint Operating Agreement which will enter into force as from the Effective Date of this Contract.

A Model Joint Operating Agreement is available and may be obtained on request.

ARTICLE 23

FOREIGN EXCHANGE CONTROL

- 23.1. The Contractor shall comply with the foreign exchange control regulations, subject to the provisions of this Article.
- 23.2. The Contractor shall have the right to retain abroad all the foreign currencies arising from export sales of all Petroleum to which it is entitled under this Contract, or from assignments, as well as equity, incomes from loan and, more generally, all assets acquired abroad by it, and to freely dispose of such foreign currencies or assets to the extent that they may exceed its requirements for its operations in Côte d'Ivoire.
- 23.3. No restriction shall be exercised on importation by the Contractor of funds intended for the performance of the Petroleum Operations.
- 23.4. The Contractor shall have the right to purchase currencies of Côte d'Ivoire with foreign currencies, and freely exchange into foreign currencies of its election any funds held by it in Côte d'Ivoire in excess of its local requirements at exchange rates which shall not be less favourable than those generally applicable to any other buyer or seller of foreign currencies.

ARTICLE 24

NATIONAL INVESTMENT FUND

Subject to arrangements introduced by this Article, the Contractor shall, in accordance with the legal provisions in force arising from Law n° 62-34 of February 12, 1962, be liable to the contribution in favour of the National Investment Fund.

However, the Government, in view of the very large amount of investments necessary for the carrying out of the Petroleum Operations, considers that said investments will represent the fulfilment of all the obligations of the Contractor which may arise from the contribution in favour of the National Investment Fund.

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ARTICLE 25

MONETARY UNIT USED FOR BOOK-KEEPING

- 25.1. The registers and accounting books relating to this Contract shall be maintained in the French language and recorded in Dollars. Said registers and accounting books shall be used to determine the Petroleum Costs, gross income, exploitation costs, net profits and for the purpose of the preparation of the Contractor's tax return ; they shall contain, inter alia, Contractor's accounts showing the sales of Petroleum under this Contract.

For information's purposes, accounts and balance sheets shall also be maintained in CFA Francs.

- 25.2. Whenever it is necessary to convert into Dollars expenses and incomes expressed in another currency, the exchange rates to be used shall be equal to the arithmetic average of the daily closing rates for the purchase and sale of said currency during the month when the expenses were paid and the income received.

In the event of an official devaluation or revaluation during a given month, two arithmetic averages shall be applied, the first one calculated on the basis of the daily closing rates for purchase and sale in respect of the period from the first day of the month until the day of said devaluation or revaluation, inclusive, and the second, on the basis of the daily closing rates for purchase and sale in respect of the period from the day of said devaluation or revaluation, exclusive, until the last day of the month concerned.

The exchange rates to be applied in order to carry out the evaluations provided for in this Article shall be those quoted on the Paris exchange market or, if said rates are not available, those quoted by the Citibank N.A., New York.

- 25.3. The originals of the registers and accounting books referred to in Article 25.1 shall be kept in Côte d'Ivoire.

The registers and accounting books shall be supported by detailed documents with respect to receipts and Petroleum Costs.

ARTICLE 26

ACCOUNTING METHOD AND AUDITS

- 26.1. The Contractor shall maintain its accounts in accordance with the regulations in force and with the provisions of the Accounting Procedure set out in Appendix 2 attached hereto forming an integral part of this Contract.
- 26.2. After giving the Contractor notice thereof in writing, the Government shall have the right to cause the registers and accounting books relating to the Petroleum Operations to be controlled, inspected and audited by its own agents or by experts of its election, and shall have a period of four (4) years following the end of each Calendar Year to carry out those controls, inspections or audits relating to said Year and may submit its objections to the Contractor for any contradictions or errors found during such controls, inspections or audits.

Should the Government fail to make any claim within the above-mentioned period of four (4) years, no further objection or claim shall be made by the Ivorian administration for the Calendar Year concerned.

ARTICLE 27

IMPORT AND EXPORT

- 27.1. (a) The Contractor shall have the right to import into Côte d'Ivoire, in its own name or on behalf of its contractors and subcontractors, all the technical equipment, materials, machinery and tools, goods and supplies necessary in the Contractor's opinion for the proper conduct and achievements of the Petroleum Operations ; that includes but is not limited to, drilling, exploration, development, production, transportation, sales and marketing equipment, pipelines, tanks, geological and geophysical tools, boats, ships, launches, drilling barges, ships and platforms, production platforms, civil engineering and telecommunication equipment, power plants and all related equipment, aircraft, automotive equipment and other vehicles, instruments, tools, spare parts, alloys and additives, camping equipment, protective clothing and equipment, medical, surgical and sanitary equipment, supplies and instruments necessary for the installation and operation of hospitals and dispensaries, documentation equipment, construction materials of all types, lumber, office furniture and equipment, automobiles, explosives, chemicals, fuels, ship supplies, pharmaceutical products; medicines.
- (b) The Contractor shall have the right to import into Côte d'Ivoire, in its own name or on behalf of its contractors or subcontractors, the furniture, clothing, household appliances and all personal effects for all the foreign employees and their families assigned to work in Côte d'Ivoire for the Contractor or its contractors or subcontractors.
- (c) However, the Contractor, its agents, contractors and subcontractors undertake not to proceed with the imports mentioned in Article 27.1 (a) insofar as such items are not available in Côte d'Ivoire under equivalent conditions of quantity, quality, price, delivery and terms of payment, unless specific requirements or technical emergencies are presented by the Contractor.

(d) The Contractor, its agents, contractors and subcontractors shall have the right to re-export from Côte d'Ivoire, free of all duties and taxes and at any time, all the items imported under Article 27.1 (a) and (b) which are no longer necessary for the Petroleum Operations except the items which have become the property of the State under the provisions of Article 20.

27.2. All the technical material, materials, machinery and tools, goods and supplies specified in Article 27.1 which the Contractor, its agents, contractors and subcontractors, their foreign employees and their families will have the right to import in one or more shipments to Côte d'Ivoire, shall be fully exempt of all duties and taxes payable as a result of the importation ("entry duties and taxes").

As the case may be, the applicable administrative formalities will be those of the following regimes :

(a) Exceptional temporary admission regime ("régime de l'admission temporaire exceptionnelle") in full suspension of entry duties and taxes for equipment, materials, machinery and tools, goods and supplies necessary for the proper progress of the Petroleum Operations, for the entire duration of their use in Côte d'Ivoire including the continental shelf, it being understood that for the equipment, materials, machinery and tools, and goods and supplies consumed during the operations or left in place, the exceptional temporary admission discharge will be automatic by simple quarterly declaration and without payment of duties and taxes.

In the event of a duly justified emergency, the equipment, materials, tools and machinery, goods and supplies will be placed at the disposal of the users as soon as they arrive in Côte d'Ivoire and the administrative regularization relating to their admission will be made later and as soon as possible.

(b) Supply regime ("régime de l'avitaillement") for consumable goods and foodstuffs, fuels and lubricants used at sea, in particular on all ships, aircraft and machineries used for petroleum exploration and exploitation.

(c) Exempt admission regime ("régime de l'admission en franchise") according to the regulations in force, for furniture, clothing, household appliances and personal effects.

27.3. Items other than those mentioned in Article 27.2 shall be subject to the generally applicable regime.

- 27.4. The Contractor, its agents, contractors and subcontractors shall, provided that they inform the Government in advance of their intent to sell and subject to the provisions of Article 20, have the right to sell in Côte d'Ivoire, all equipment, materials, machinery and tools, goods and supplies which they have imported when they are considered as surplus and no longer necessary for the Petroleum Operations. In that event, the seller shall be responsible for paying all duties and taxes applicable on the date of the transaction and for filing all the formalities prescribed by the regulations in force.

The Government shall have a preferential right to purchase such equipment, materials, machinery and tools, goods and supplies at prices and conditions equivalent to those agreed by Third Parties. That right shall be exercised within a period not to exceed the period agreed by said Third Parties for the conclusion of the sale.

- 27.5. During the term of this Contract, the Contractor, its customers and their carriers shall have the right to export freely at the export point selected for that purpose, free of all duties and taxes and at any time, the portion of Petroleum to which the Contractor is entitled in accordance with the provisions of this Contract, after deduction of all deliveries made to the Government.
- 27.6. All imports and exports carried out under this Contract shall be subject to the formalities and documentation required by Customs, but shall not give rise to any payment of entry duties and taxes, subject to the provisions of Article 27.3, owing to the regime applicable to the Contractor pursuant to the provisions of this Contract.

ARTICLE 28

DISPOSAL OF PRODUCTION -

CONTRIBUTION TO THE SATISFACTION OF NATIONAL NEEDS -

TRANSFER OF TITLE TO PETROLEUM AND LIFTINGS

- 28.1. Each Calendar Year, up to a total of ten per cent (10%) of the share of Crude Oil Production to which the Contractor is entitled pursuant to Articles 16.2 and 16.3, shall be sold to PETROCI by the Contractor for the purpose of satisfying the needs of the domestic market of Côte d'Ivoire. Such contribution of the Contractor shall be in proportion to its share of production, as defined in Articles 16.2 and 16.3, in the total Crude Oil production in Côte d'Ivoire.

The quantity of Crude Oil the Contractor shall be obligated to sell to PETROCI shall be notified to it by PETROCI at least three (3) months prior to the beginning of each calendar quarter.

- 28.2. The price of the Crude Oil sold to PETROCI under Article 28.1 for the needs of the domestic market shall be equal to seventy-five per cent (75%) of the Market Price defined in Article 18.

That Crude Oil price shall be payable to the Contractor in CFA Francs two (2) months after receipt of the invoice unless otherwise agreed between the Parties.

- 28.3. The transfer of title to, and risks of, the share of Petroleum production to which each Party is entitled shall be made at the Delivery Point, or at any other transfer point agreed between the Parties.

The Contractor shall not be the owner of Petroleum before such point ; it shall, however, take out all necessary insurance policies in order to cover all damage, losses or liabilities which may occur.

- 28.4. Each of the Parties shall have the right and obligation, subject to the provisions of Articles 16.6, 21 and 28.1, to dispose of and lift the share of Petroleum to which it is entitled under this Contract.

Such share shall be lifted on as regular a basis as possible, it being understood that each of the Parties, within reasonable limits, will be authorized to lift more (overlift) or less (underlift) than its share of Petroleum produced and unlifted by the lifting day, to the extent that such overlift or underlift does not infringe on the rights of the other Party and is compatible with the production rate and the storage capacity. In

the establishment of the sequence of liftings, priority will be given to the Party with the largest share of produced and unlifted quantity of Petroleum at a given time. The Parties shall periodically meet to establish a provisional lifting program on the basis of the principles above-described and taking into account the wishes of the Parties as regards the dates and quantities of their liftings, provided that those wishes are compatible with said principles.

Prior to commencement of production in the Delimited Area, the Parties shall execute a lifting agreement specifying the practical procedures of implementation of this Article.

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ARTICLE 29

PROTECTION OF RIGHTS

- 29.1. The Contractor shall take all necessary steps to achieve the objectives of this Contract and shall indemnify and compensate any person for any loss or damage, arising from or in relation to the Petroleum Operations, which it, its employees, contractors, subcontractors or agents and their employees may cause to the person, property or right of other persons.
- 29.2. The Government shall take all necessary and possible steps to facilitate the implementation by the Contractor of the objectives of this Contract, and to protect the property and operations of the Contractor, its employees and agents in the territory of Côte d'Ivoire and its dependencies.
- 29.3. At the duly justified request of the Contractor, the Government shall prohibit the construction of dwelling or business buildings in the vicinity of installations which the Contractor may declare dangerous as a result of its operations. It shall take all necessary precautions to prohibit anchoring in the vicinity of submerged pipelines at river passages, and to prohibit any hindrance to the use of any other installation necessary for the Petroleum Operations whether on land or offshore.
- 29.4. The Contractor shall take out and cause to be taken out by its contractors and subcontractors, in respect of the Petroleum Operations, all insurances of the type and for such amounts customarily used in the international petroleum industry, including without limitation third party liability insurance and insurances to cover damage to property, facilities, equipment and materials, without prejudice to such insurances which would be required under Ivorian legislation.

The Contractor shall provide the Government with the certificates supporting the subscription of the insurances referred to above.
- 29.5. The Contractor shall indemnify, defend and hold harmless the Government against all claims, losses or damage whatsoever caused by, or resulting from, the Petroleum Operations.

ARTICLE 30

PERSONNEL AND TRAINING

- 30.1. The Contractor shall, for the purposes of the Petroleum Operations, employ in priority Ivorian personnel in a minimum proportion of seventy-five per cent (75%) of its total personnel.

Managers, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled workers, secretaries and executive employees may be hired outside Côte d'Ivoire if similarly qualified specialists cannot be hired in the country or seconded from PETROCI.

Upon granting an exclusive exploitation authorization, a plan for "Ivorization" shall be submitted for the approval of the Government.

- 30.2. Upon commencement of the Petroleum Operations, the Contractor shall organize a training program for Ivorian nationals. Said program shall concern, in association with the Contractor, all the Petroleum Operations from exploration up to exploitation, including, but not limited to, the preliminary studies for the lay-out and carrying out of works (such as seismic survey, drilling, production tests, development of a field) and negotiation of contracts with possible subcontractors.

For that purpose, the Contractor, excluding PETROCI, shall devote a minimum annual training budget of :

- (a) _____ Dollars during the exploration periods ;
- (b) _____ Dollars during the exploitation periods.

The corresponding annual training program shall be established by mutual agreement.

The training expenses borne by the Contractor shall be included in the recoverable Petroleum Costs.

- 30.3. The entry into Côte d'Ivoire of all the above-mentioned foreign personnel shall be authorized and the Government shall issue the documents necessary for that entry to all members of the foreign personnel, such as entry visas, working permits and exit visas, in compliance with the immigration regulations in force in Côte d'Ivoire.

At the request of the Contractor, the Government shall facilitate any immigration formalities with the Immigration Bureau, at the points of entry into and exit from Côte d'Ivoire, in respect of the Contractor's employees, contractors, subcontractors and agents, and their families, all without undue delays.

- 30.4. All the employees required for the conduct of the Petroleum Operations shall be under the Contractor's authority or that of its contractors, subcontractors and agents, in their capacity as employers. Their work, number of working hours, salaries and any other matters relating to their employment conditions shall be determined by the Contractor or its contractors, subcontractors and agents, in accordance with social legislation applicable in Côte d'Ivoire. However, the Contractor shall freely select and assign its personnel, subject to the provisions of Article 30.1.

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ARTICLE 31

ACTIVITY REPORTS IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORIZATIONS

- 31.1. The provisions of Article 11 shall apply, mutatis mutandis, to any exclusive exploitation authorizations. In addition, the following periodic activity reports shall, inter alia, be furnished in respect of each Field :
- (a) daily production reports ;
 - (b) monthly reports stating the quantities of Petroleum produced and those sold during the previous month together with information on such sales.

Unless the Contractor gives its written consent, the information relating to a Field under exploitation, except statistical data about activity, shall be considered as confidential by the Parties during the term of this Contract.

- 31.2. The Contractor shall forthwith notify the Government of any material damage whatsoever caused to the petroleum fields or facilities, and shall take all necessary steps to terminate it and carry out the necessary repairs.
- 31.3. From the year of granting an exclusive exploitation authorization, the annual reports referred to in Article 8.2 shall also include the following :
- (a) information on all development and production operations carried out during the previous Calendar Year, including the quantities of Petroleum produced and those sold, if any ;
 - (b) information on all transportation and sales operations together with the location of the main facilities built by the Contractor, if any ;
 - (c) a statement specifying the number of employees and workers, their qualification, their nationality and the total amount of their salaries, together with a report on the medical care and training provided to them.

ARTICLE 32

ARBITRATION

- 32.1. In the event of any dispute between the Government and the Contractor relating to, or arising out of, the interpretation or execution of the provisions of this Contract, the Parties shall make their best efforts to settle such dispute amicably.

If within three (3) months from the date of notice of such dispute by either Party to the other, the Parties have not reached settlement, the dispute shall, at the request of the most diligent Party, be referred for arbitration to the International Center for Settlement of Investment Disputes in accordance with the rules then in force set forth by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, a convention signed and ratified by the Government of the Republic of Côte d'Ivoire.

The arbitrators shall not have the same nationality as the Parties.

- 32.2. The arbitration shall be held in Paris (France). The language used during the procedure shall be the French language, and the applicable law shall be the Ivorian law.

The arbitral tribunal's award shall be final ; it shall be binding on the Parties and shall be immediately enforceable.

- 32.3. The expenses of any arbitration shall be borne equally by the Parties, that is to say each Party shall pay the expenses of its own arbitrator and the expenses of the third arbitrator in equal shares, and any expenses imposed by the President or the Secretary of the Center shall be shared equally by the Parties.

The performance by the Parties of their obligations under this Contract shall not be suspended during the course of the arbitration.

ARTICLE 33

FORCE MAJEURE

- 33.1. No delay or default of a Party in performing any of the obligations resulting from this Contract shall be considered as a breach of this Contract if such delay or default is caused by a case of Force Majeure.

If in the event of Force Majeure the performance of any of the obligations under this Contract is delayed, that delay extended by the period of time required to repair the damage caused during such delay and resume the Petroleum Operations shall be added to the period provided by this Contract for the performance of said obligation, and the exclusive exploration or exploitation authorizations shall be extended by that period as regards the area concerned by Force Majeure.

- 33.2. Force Majeure means any event unforeseeable and beyond the control of a Party, such as : earthquake, flood, accident, strike, lockout, riot, delay in obtaining rights-of-way, insurrection, civil disturbances, sabotages, acts of war or conditions attributable to war, or any other cause beyond its control, similar to or different from those already mentioned.

- 33.3. Where a Party considers it is prevented from performing any of its obligations by the occurrence of a case of Force Majeure, it shall forthwith notify the other Party thereof by specifying the grounds for establishing Force Majeure and take, in agreement with the other Party, all necessary and useful steps to ensure the normal resumption of the performance of the concerned obligations upon termination of the event constituting the case of Force Majeure.

Obligations other than those concerned by Force Majeure shall continue to be performed in accordance with the provisions of this Contract.

ARTICLE 34

JOINT AND SEVERAL OBLIGATIONS AND GUARANTEES

- 34.1. All the clauses, conditions and provisions of this Contract shall be binding on the Parties and their respective successors and assignees. This Contract constitutes the only agreement between the Parties and no previous communication, promise or agreement, whether oral or written, between the Parties, related to the purpose of this Contract may be asserted to amend the clauses hereof.

The Government certifies and guarantees that there is no other applicable agreement with respect to the petroleum rights within the Delimited Area, that it will perform its obligations in fairness and good faith and that this Contract will not be cancelled, amended or modified except by agreement between the Parties.

- 34.2. Where the Contractor is constituted by several entities, the obligations and liabilities of those entities under this Contract shall be joint and several.
- 34.3. If one of the entities constituting the Contractor is a subsidiary, its parent company shall submit to the Government's approval an undertaking guaranteeing the proper performance of the obligations arising from this Contract.

ARTICLE 35

RIGHTS OF ASSIGNMENT

- 35.1. All or part of the rights and obligations arising from this Contract may be assigned by any of the entities constituting the Contractor to Third Parties whose technical and financial reputation is well established ; the assignees with the other entities constituting the Contractor shall thereafter be jointly and severally liable for the obligations arising from this Contract.

The terms of any joint and several assignment and ownership shall be subject to the prior approval of the Government.

If within sixty (60) days following notification to the Government of a projected assignment accompanied by all the related information and the draft assignment deed, the Government has not given its decision, that assignment shall be deemed to be approved by the Government.

From the date of approval of an assignment, the assignee shall comply with the terms and conditions of this Contract.

- 35.2. All or part of the joint and several rights and obligations arising from this Contract may be freely assigned at any time by any of the entities constituting the Contractor to one or more Affiliated Companies or other entities constituting the Contractor.

Said assignments shall be notified to the Government by the Contractor prior to the effective date thereof and, as the case may be, the provisions of Article 34.2 shall be applicable.

- 35.3. The assignments carried out in breach of the provisions of this Article shall be null and void.

ARTICLE 36

APPLICABLE LAW AND STABILITY OF CONDITIONS

- 36.1. The laws and regulations in force in the Republic of Côte d'Ivoire shall apply at any time to the Contractor, to this Contract and to the operations which are the purpose thereof, unless otherwise provided by the Contract.
- 36.2. This Contract is executed between the Parties in accordance with the laws and regulations in force at the date of its signing and on the basis of the provisions of said laws and regulations, as regards, inter alia, the economic, fiscal and financial provisions of this Contract.

Consequently, should new laws or regulations modify the provisions of the laws and regulations in force at the date of signing of this Contract and should those modifications bring about a material change in the respective economic situation of the Parties resulting from the original provisions of said Contract, the Parties shall in good faith enter into an agreement with a view to modifying those provisions in order to restore the economic balance of the Contract as intended at the signing thereof.

In the event the Parties, in spite of their efforts, are unable to reach an agreement, the provisions of Article 32 above shall apply.

ARTICLE 37

IMPLEMENTATION OF THE CONTRACT

- 37.1. The Parties agree to cooperate in every possible manner to achieve the objectives of this Contract.

The Government shall facilitate the Contractor's performance of its activities by granting it any permits, licenses, access rights necessary for the performance of the Petroleum Operations and by making available to it any appropriate services and facilities, so that the Parties can obtain the best benefit from a sincere cooperation. However, the Contractor shall observe the applicable procedures and formalities, and shall apply to the competent departments of the administration.

- 37.2. Any notices or other communication under this Contract shall be deemed to have been made when they are delivered by hand to an authorized representative of the Party concerned at the location of said Party's principal office in Côte d'Ivoire, or sent by telegram, cable or telex with all expenses paid, or deposited as registered letters with the Postal administration of Côte d'Ivoire with postage prepaid.

Notifications shall be deemed to have been made on the date when the addressee shall receive them.

- 37.3. If the Government considers that the Contractor has committed a breach in the performance of any of its obligations, it shall so notify the Contractor in writing and the Contractor shall have sixty (60) days to remedy the breach or refer the matter to arbitration in accordance with the provisions of Article 32 of this Contract.
- 37.4. The breach by the Contractor of the provisions of this Contract may give rise to the termination thereof by the Government, after notification to the Contractor in accordance with the provisions of Article 37.3. Said termination shall not relieve the Contractor from its obligations incurred prior to, or arising from, that termination.
- 37.5. The terms and conditions of this Contract may be modified only in writing and by mutual agreement between the Parties.

- 37.6. Unless otherwise specified in writing, the "Directeur des Hydrocarbures" shall represent the Government under this Contract and is empowered to grant, in the name and on behalf of the Government, any consent necessary or useful for the implementation of this Contract.
- 37.7. Headings in this Contract are inserted for purposes of convenience and reference and in no event shall define, restrict or describe the scope or object of the Contract or of any of its clauses.
- 37.8. Appendices 1 and 2 attached hereto shall form an integral part of this Contract.
- 37.9. Any waiver of the Government concerning the performance of any obligation of the Contractor shall be in writing and signed by the Government's representative, and no waiver shall be implied if the Government does not exercise any of its rights to which it is entitled under this Contract.

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ARTICLE 38
EFFECTIVE DATE

Upon execution by the Parties, this Contract shall become effective, the date of execution being referred to as the Effective Date, and said Contract shall become binding on the Parties.

IN WITNESS WHEREOF, the Parties have signed this Contract in _____ ()
copies.

ABIDJAN, this _____

FOR THE REPUBLIC OF COTE D'IVOIRE

The President of the Republic

H.E. Félix HOUPHOUET - BOIGNY

FOR _____

FOR _____

APPENDIX I

Attached to and made part of this Contract between the Republic of Côte d'Ivoire and the Contractor.

DELIMITED AREA

On the Effective Date, the Delimited Area, designated as _____ Block, is formed by the area included inside the perimeter constituted by the points _____ indicated on the map attached hereto.

The geographical coordinates of those points are the following, with reference to the Greenwich meridian :

Point	Latitude	Longitude
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Those coordinates are only given for purposes of illustration and shall not be considered as the boundaries of the national jurisdiction of Côte d'Ivoire.

The surface of the Delimited Area above-defined is deemed to be equal to about _____ sq.km.

MAP OF THE DELIMITED AREA

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APPENDIX 2

Attached to and made part of this Contract between the Republic of Côte d'Ivoire and the Contractor.

ACCOUNTING PROCEDURE

Article 1 - GENERAL PROVISIONS

1.1. Object

This Accounting Procedure shall be followed and observed in the performance of the obligations under the Contract to which this Appendix is attached.

1.2. Accounts and statements

The registers and accounting books of the Contractor shall be in conformity with regulations, and maintained in accordance with the general chart of accounts for business ("Plan Comptable Général des Entreprises") applicable in Côte d'Ivoire. However, the Contractor may apply the accounting rules and procedures customarily used in the petroleum industry, insofar as none of these are contrary to the regulations and the chart referred to above.

In accordance with the provisions of Article 25 of the Contract, accounts, books and registers shall be maintained in the French language and recorded in Dollars. These accounts shall be used, inter alia, to determine the amount of Petroleum Costs, the recovery of said Costs, the production sharing, as well as for the purposes of Contractor's tax return. For information's purposes, accounts and balance sheets shall also be maintained in CFA Francs.

The Contractor shall record all operations connected with the Petroleum Operations in accounts separate from those relating to any other activities which it may carry out in the Republic of Côte d'Ivoire.

All accounts, books, records and statements, together with documents supporting expenses incurred, such as invoices and service contracts, shall be kept in the Republic of Côte d'Ivoire in order to be provided at the request of the competent authorities of Côte d'Ivoire.

1.3. Interpretation

The definitions of the terms used in this Appendix 2 shall be the same as those of the same terms set forth in the Contract.

In the event of any conflict between the provisions of this Accounting Procedure and the Contract, the provisions of the Contract shall prevail.

1.4. Modifications

The provisions of this Accounting Procedure may be modified by mutual agreement between the Parties.

The Parties agree that if any provision of the Accounting Procedure proves inequitable to either Party, such provision shall be modified in good faith by the Parties.

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Article 2 - PETROLEUM COSTS

2.1. Petroleum Costs Account

The Contractor shall maintain a "Petroleum Costs Account" which will record in detail the expenses incurred by the Contractor relating to the Petroleum Operations carried out under this Contract, and which will be recoverable in accordance with the provisions of Article 16.2 of the Contract.

This Petroleum Costs Account shall, *inter alia*, record separately, by Appraisal Perimeter or Exploitation Perimeter if any, the following expenses :

- (a) exploration expenditures ;
- (b) appraisal expenditures ;
- (c) development expenditures ;
- (d) exploitation expenses ;
- (e) financial costs ;
- (f) overhead costs in Côte d'Ivoire ;
- (g) overhead costs abroad.

The Petroleum Costs Account shall enable, *inter alia*, to identify at any time :

- (a) the total amount of Petroleum Costs since the Effective Date ;
- (b) the total amount of Petroleum Costs recovered ;
- (c) the total amount credited to the Petroleum Costs Account pursuant to Article 2.4. (b) below ;
- (d) the total amount of Petroleum Costs which remain to be recovered.

For the purposes of Article 16.2 of the Contract, Petroleum Costs shall be recovered in the following sequence :

- (a) exploitation expenses in respect of a Field incurred and paid from the date of commencement of regular production ;
- (b) financial costs ;
- (c) other Petroleum Costs.

In addition, within each of the foregoing categories, the costs shall be recovered in the sequence in which they are incurred.

Unless otherwise provided for in this Accounting Procedure, the intent of the Parties is not to duplicate any item of the credit or debit of the accounts maintained under the Contract.

2.2. Items debited to the Petroleum Costs Account

The following expenses and costs shall be debited to the Petroleum Costs Account :

2.2.1. Personnel expenses

All payments in respect of the salaries and wages of the Contractor's employees directly assigned to the Petroleum Operations carried out under this Contract, in the Republic of Côte d'Ivoire, whether temporarily or permanently, including amounts imposed by the applicable laws and costs of employees' benefits and all additional charges or expenses in accordance with the individual or collective employment contracts or pursuant to the Contractor's personnel policies.

2.2.2. Overhead costs in Côte d'Ivoire

Wages and salaries of the Contractor's personnel engaged in the Petroleum Operations in the Republic of Côte d'Ivoire, whose work time is not directly allocated to the programs, as well as costs of maintaining and operating in Côte d'Ivoire a main and administrative office and sub-offices necessary for the Petroleum Operations.

2.2.3. Overhead costs abroad

The Contractor shall add a reasonable amount as overhead paid abroad, connected to the carrying out of the Petroleum Operations by the Contractor or its Affiliated Companies, such amounts representing the estimated cost of services rendered for the benefit of the said Petroleum Operations.

The amounts charged shall be provisional amounts established on the basis of the experience of the Contractor, and shall be annually adjusted according to the actual costs borne by the Contractor.

However, overhead costs paid abroad shall be charged only within the following limits :

- (a) prior to the grant of an exclusive exploitation authorization : ___ per cent (___ %) of expenses charged to the Petroleum Costs Account excluding overhead costs for the year in question ;
- (b) from the grant of the first exclusive exploitation authorization : ___ per cent (___ %) of expenses charged to the Petroleum Costs Account excluding bonuses and overhead costs for the year in question.

2.2.4. Buildings

Construction, maintenance expenses and related costs, as well as rents paid for all offices, houses, warehouses and buildings of other types, including housing and recreational facilities for employees, and cost of equipment, furniture, fittings and supplies necessary for the operation of those buildings required for the performance of the Petroleum Operations.

2.2.5. Materials, equipment and rentals

Costs of equipment, materials, machinery, articles, supplies and facilities purchased or provided for use in the Petroleum Operations, as well as rentals or compensations paid or incurred for the use of any equipment or facilities required for the performance of the Petroleum Operations, including the facilities exclusively owned by the Contractor.

2.2.6. Transportation

Transportation of employees, equipment, materials and supplies, inside the Republic of Côte d'Ivoire as well as between the Republic of Côte d'Ivoire and other countries, necessary for the Petroleum Operations.

The transportation costs of employees shall include the moving costs in respect of the employees and their families paid by the Contractor in accordance with its policies.

2.2.7. Services

Costs for services rendered by subcontractors, consultants, experts and public utilities as well as any costs related to services rendered by the Government or any other authorities of the Republic of Côte d'Ivoire.

Costs for services rendered by Affiliated Companies, provided that such costs shall not exceed those normally charged by independent companies for an identical or similar service.

2.2.8. Insurance and claims

Premiums paid for insurances customarily taken out for the Petroleum Operations to be carried out by the Contractor as well as all expenses incurred and paid in settlement of any losses, claims, damages and any other expenses, including those concerning legal services not recovered by the insurer and all expenses arising from judgments.

If, after Government's approval, no insurance is taken out, any expenses paid by the Contractor in settlement of any losses, claims, damages, judgments and other expenses.

2.2.9. Legal expenses

All expenses of handling, investigation and settlement of litigation or claims arising from the Petroleum Operations, or the expenses required to protect or recover assets acquired during the carrying out of the Petroleum Operations, including, but not limited to, costs of investigation or inquiry, court costs, and amounts paid for the settlement or satisfaction of any such litigation or claims.

If such services are effected by the legal personnel of the Contractor, a reasonable compensation shall be included in the Petroleum Costs, which shall not exceed the cost for rendering an identical or similar service normally charged by an independent company.

2.2.10. Financial costs

All interests and agios paid by the Contractor in respect of the loans contracted from Third Parties and advances obtained from Affiliated Companies, provided that those loans and advances shall be for the purpose of the financing of Petroleum Costs related only to the development Petroleum Operations in respect of a Field, and shall not exceed seventy five per cent (75%) of the total amount of those development Petroleum Costs. Those loans and advances shall be submitted to the approval of the Administration under the conditions provided by Article 58.8 (e) of the Petroleum Code, unless otherwise specifically set forth in Article 17.4 (c) of the Contract.

In the event such financing is provided by Affiliated Companies, the allowable interest rates shall not exceed the rates customarily used in the international financial markets for loans of a similar nature.

2.2.11 Other expenses

Any other expenses incurred and paid by the Contractor for the purposes of the necessary and proper conduct of the Petroleum Operations under the approved Annual Work Programs and Budgets, other than the expenses covered and dealt with by the foregoing provisions of this Article and other than the expenses excluded from the Petroleum Costs.

Such other expenses include, inter alia, exchange losses actually realized by the Contractor in connection with the Petroleum Operations.

2.3. Expenses not chargeable to the Petroleum Costs Account

The expenses which are not directly necessary for the performance of the Petroleum Operations, and the expenses excluded by the provisions of the Contract or this Accounting Procedure as well as by the regulations in force in Côte d'Ivoire, are not chargeable to the Petroleum Costs Account and shall therefore not be recoverable.

Such expenses shall include, without limitation :

- (a) expenses relating to the period before the Effective Date ;
- (b) any expenses relating to the operations carried out beyond the Delivery Point, such as transportation and marketing costs ;
- (c) financial costs relating to the financing of exploration Petroleum Operations, and those relating to the share of financing of development Petroleum Operations in excess of seventy five per cent (75%) of the total amount of development Petroleum Costs ;
- (d) bonuses defined in Article 19 of the Contract ;
- (e) exchange losses other than those specified in Article 2.2.11.

Besides, charges set forth in Article 17.4 (d), (e) and (g) of the Contract, although deductible from the net profit for the purpose of the industrial and commercial income tax, are not chargeable to the Petroleum Costs Account, in consequence of the definition thereof.

2.4. Items credited to the Petroleum Costs Account

The following incomes and proceeds shall, inter alia, be credited to the Petroleum Costs Account :

- (a) income arising from the marketing of the quantity of Crude Oil to which the Contractor is entitled under Article 16.2 of the Contract for the purpose of recovery of the Petroleum Costs ;
- (b) any other incomes or proceeds related to the Petroleum Operations, specifically those arising from :
 - sales of related substances ;
 - any services rendered to Third Parties using the facilities dedicated to the Petroleum Operations, including, but not limited to, processing, transportation and storage of products for Third Parties in those facilities ;
 - assignment or transfer of any items of Contractor's assets, and assignment, in whole or in part, of rights and obligations of the Contractor pursuant to Article 35 of the Contract ;
 - exchange gains actually realized by the Contractor in connection with the Petroleum Operations.

2.5. Determination of the "R" ratio (OPTION II of Article 16)

For the purposes of Article 16.3 of the Contract, exploration expenditures, appraisal expenditures, development expenditures and exploitation expenses (which exclude, inter alia, any financial costs) correspond to the expenses charged to the Petroleum Costs Account in respect of each of those items.

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Article 3 - COST EVALUATION BASIS FOR SERVICES, MATERIALS AND EQUIPMENT USED IN THE PETROLEUM OPERATIONS

3.1. Technical services

A reasonable rate shall be charged for the technical services rendered by the Contractor or its Affiliated Companies for the benefit of the Petroleum Operations carried out under the Contract, such as gas, water, core analyses and any other analyses and tests, provided that such charges shall not exceed those normally charged by independent technical service companies and laboratories for similar services.

3.2. Purchase of materials and equipment

Materials and equipment purchased from Third Parties and necessary for the performance of the Petroleum Operations carried out under the Contract shall be charged to the Petroleum Costs Account at "Net Cost" incurred by the Contractor.

"Net Cost" shall include such items as taxes, shipping agent fees, transportation, loading and unloading costs, licence fees, related to the supply of materials and equipment, as well as transit losses not recovered through insurance.

3.3. Use of equipment and facilities owned exclusively by the Contractor

Equipment and facilities owned by the Contractor and used for the Petroleum Operations shall be charged to the Petroleum Costs Account at a rental rate which shall be sufficient to cover maintenance, repairs, depreciation and services required for the performance of the Petroleum Operations, provided such costs shall not exceed those normally charged by Third Parties in the Republic of Côte d'Ivoire for similar services.

3.4. Valuation of material

All material transferred to Côte d'Ivoire from the Contractor's warehouses, or from those of any entity constituting the Contractor or their Affiliated Companies, shall be valued as follows :

(a) New material

New material (condition "A") means new material which has never been used : one hundred per cent (100%) of the current market price, which corresponds to the price normally charged for similar supplies in arm's length transactions between independent buyer and seller.

(b) Material in good condition

Material in good condition (condition "B") means material in good condition which is still usable for its original purpose without repair : at a maximum of seventy five per cent (75%) of the price of new material.

(c) Other used material

Other used material (condition "C") means material still usable for its original purpose, but only after repairs and reconditioning : at a maximum of fifty per cent (50%) of the price of new material.

(d) Material in poor condition

Material in poor condition (condition "D") means material no longer usable for its original purpose but still usable for other purposes : at a maximum of twenty five per cent (25%) of the price of new material.

(e) Scrap material

Scrap material (condition "E") means material beyond usage and repair : prevailing price of scrap material.

3.5. Materials and equipment disposed by the Contractor

Materials and equipment purchased by all the entities constituting the Contractor shall be valued in accordance with the principles defined in Article 3.4 above.

Materials and equipment purchased by any entity constituting the Contractor or by Third Parties shall be valued at the received sale price, which shall in no event be less than the price determined in accordance with the principles defined in Article 3.4 above.

The corresponding amounts shall be credited to the Petroleum Costs Account.

Article 4 - INVENTORIES

4.1. Periodicity

The Contractor shall keep a permanent inventory both in quantity and value of all normally controllable materials used for the Petroleum Operations and shall proceed at reasonable intervals with the physical inventories as required by the Parties.

4.2. Notice

A written notice of intention to take an inventory shall be sent by the Contractor at least ninety (90) days prior to the commencement of said inventory so that the Government and the entities constituting the Contractor may be represented at their own expenses during the inventory operations.

4.3. Information

In the event the Government or any entity constituting the Contractor shall not be represented at an inventory, such Party or Parties shall be bound to accept the inventory taken by the Contractor which shall furnish to such Party or Parties a copy of said inventory.

Article 5 - FINANCIAL AND ACCOUNTING STATEMENTS

The Contractor shall furnish the Government with all the reports, records and statements provided by the provisions of the Contract and the applicable regulations and, inter alia, the following financial and accounting statements :

5.1. Statement of exploration work obligations

Such annual statement shall be submitted not later than one (1) month after the end of each Contractual Year in respect of the exploration periods.

It shall present with details the exploration work and expenditures carried out by the Contractor to fulfil its obligations set forth in Article 4 of the Contract, excluding specifically appraisal wells and related appraisal expenditures as well as development expenditures, exploitation expenses, overhead costs and bonuses.

5.2. Statement of recovery of Petroleum Costs

A quarterly statement shall be submitted not later than one (1) month after the end of each Calendar Quarter. It shall present the following items of the Petroleum Costs Account :

- (a) the amount of Petroleum Costs which remain to be recovered at the beginning of the quarter ;
- (b) the amount of Petroleum Costs in respect of that quarter and recoverable under the provisions of the Contract ;
- (c) the quantity and the value of the production of Petroleum taken by the Contractor during the quarter for the purpose of recovery of the Petroleum Costs ;
- (d) the amount of incomes or proceeds credited for the purpose of Article 2.4 (b) above during the quarter ;
- (e) the amount of Petroleum Costs which remain to be recovered at the end of the quarter.

In addition, an annual statement of the recovery of Petroleum Costs shall be submitted prior to the end of February of each Calendar Year.

5.3. Statement of production

After commencement of production, such monthly statement shall be submitted not later than fifteen (15) days after the end of each month.

It shall present for each month the detailed production of each Exploitation Perimeter and, inter alia, the quantities of Petroleum :

- (a) stored at the beginning of the month ;
- (b) lifted during the month ;
- (c) lost and used for the requirements of the Petroleum Operations ;
- (d) stored at the end of the month.

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