



National Oil Company of Liberia

LB-17

**REPSOL
YPF**



**PETROLEUM
PRODUCTION SHARING
CONTRACT**

BETWEEN

**THE GOVERNMENT OF THE
REPUBLIC OF LIBERIA**

AND

REPSOL EXPLORACION S.A.

2004



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DATED: 7th July 2004

PRODUCTION SHARING CONTRACT

BETWEEN

The Republic of Liberia, (STATE) represented for the purposes of this Contract by the National Oil Company of Liberia (NOCAL), a company incorporated under the laws of Liberia;

AND

Repsol Exploracion S.A. a company incorporated under the laws of Spain, hereinafter referred to as ("the Contractor").

WHEREAS

- the discovery and exploitation of Petroleum are important for the interest and the economic development of the country and its people;
- NOCAL wishes to undertake operations for exploration for exploitation, transportation, storage, processing and marketing of Petroleum;
- NOCAL has the mining rights in respect of Petroleum exploration and exploitation over the entirety of available areas in Liberia including the Delimited Area defined hereinafter;
- NOCAL wishes to promote the development of the Delimited Area, and the Contractor wishes to cooperate with NOCAL 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, the company which is a Party to this Contract shall be the 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 January first (1st) and ending on the following December thirty-first (31st).

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 described in Article 37.

1.7. **CONTRACTOR** means Repsol Exploration SA and any of its successors or permitted assignees; and Repsol Exploration SA shall act as Operator and shall conduct Petroleum Operations.

1.8. **CONTRACT** means this Production Sharing Contract 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 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 in gaseous state under standard temperature and pressure conditions, 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 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 an accumulation of Petroleum in one or several overlaying horizons.

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, abandonment and decommissioning, and more generally, any other operations directly associated therewith, carried out under this Contract.

1.17. PARTIES means NOCAL and the Contractor; and **PARTY** means either NOCAL 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 NOCAL has granted to the Contractor an exclusive appraisal authorization 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 NOCAL has granted to the Contractor an exclusive exploitation authorization.

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 Liberia 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 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 Contract.

1.24. DELIMITED AREA means the area in respect of which NOCAL 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 be 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 percent (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 and includes all the provisions of the agreement between NOCAL and the Contractor.
- 2.2. NOCAL authorizes the Contractor to be the Operator pursuant to the terms set forth herein and to carry out the Petroleum Operations in the Delimited Area, on an exclusive basis.
- 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 Liberia 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 shall furnish NOCAL 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 period of ten (10) years defined by three consecutive periods:

A first Exploration period of **Four (4) Contract Years**; a second Exploration Period of **Three (3) Contract Years** and a third Exploration Period of **Three (3) Contract 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, the exclusive exploration authorization shall, at the Contractor's request, be renewed for a second Exploration period of **Three (3 Years) Contract 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 **Three (3 Years) Contract 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 expiration of the current exploration period.

3.5. The Contractor shall surrender at least the following surfaces:

- (a) **twenty percent (20%)** of the initial surface of the Delimited Area at the expiration of the first exploration period.
- (b) **thirty percent (30%)** of the initial surface of the Delimited Area at the expiration of the second Exploration period.

Such surrenders shall be constituted by a limited number of perimeters 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 3.5 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 size, shape, and location of the area to be surrendered.

The Contractor undertakes to furnish NOCAL 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.

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

No surrender during or at the expiration 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 Appraisal Perimeters and Exploitation Perimeters which have been granted and to carry out the Petroleum Operations therein.

3.7. At the expiration of the third Exploration period set forth in Article 3.3, the Contractor shall surrender the whole remaining Defined Area except as to any Appraisal Perimeters and Exploitation Perimeters which have then been granted and in respect of which an application has then been made.

3.8. If at the expiration of all the exploration periods the Contractor has not obtained or is not applying for an exclusive appraisal authorization or an exclusive exploitation authorization, this Contract shall terminate.

If an exploratory well is operating at the time of expiry of an exploration period, then NOCAL shall grant Contractor an extension of the exclusive exploration authorization of 60 days (after the exploratory well is terminated and the rig released) in order to evaluate results of the well.

3.9. The 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 termination and which shall be fulfilled.

ARTICLE 4

EXPLORATION WORK COMMITMENTS

4.1. The Contractor shall commence the Petroleum Operations within three 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:

1,500 square kilometers of 3D Seismic Acquisition.

4.3. The Contractor, during the second exploration period defined in Article 3.2, shall carry out the following minimum work:

1 exploratory well.

4.4. The Contractor, during the third exploration period defined in Article 3.3, shall carry out the following minimum work:

1 exploratory well.

4.5. Each of the exploratory wells referred to above shall be drilled to a minimum depth of **one thousand (1,000) metres**, 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, NOCAL 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:

(a) Three (3) million US Dollars during the first Exploration period defined in Article 3.1;

(b) Ten (10) million US Dollars during the second Exploration period defined in Article 3.2;

(c) Ten (10) million US Dollars during the third Exploration period defined in Article 3.3.

If during the 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. If at the expiration 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 NOCAL, within thirty (30) days after that date of expiration, surrender or termination, the unspent balance of investment obligations above-defined for the current exploration period.

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 two (2) months from the Effective Date, the Contractor shall prepare and submit for approval to NOCAL 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 NOCAL 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, NOCAL 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 periods, the Annual 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 approved by NOCAL shall be carried out by the Contractor within the stated time.

Should NOCAL 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 NOCAL.

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

5.4. Whenever NOCAL is required to exercise its discretion or its approval is required, under this Agreement, it shall exercise its discretion or grant its approval on the basis of the efficient and economic conduct of Petroleum Operations in respect of the Delimited Area and in accordance with good international oil industry practice.

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 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, signaled, 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 NOCAL, and shall make good the damage caused by it in that event.

6.7. In its conduct of Petroleum Operations, the Contractor undertakes to take all necessary precautions to prevent marine pollution.

In order to prevent pollution, NOCAL and Contractor agree that the Contractor shall in accordance with the Contractor's environmental management plan, observe the laws of Liberia as may be applicable, as well all existing international environmental conventions to which Liberia is currently a signatory, as well as good oil industry practice. NOCAL and the Contractor shall meet and consider any measure which may be necessary to preserve the environment.

6.8. The Contractor and its subcontractors shall be obligated to give preference to enterprises and goods from Liberia, if conditions of price, quality, delivery time and terms of payment are equivalent.

6.9. The Contractor shall include in its Annual Work Program an Environmental Impact Statement.

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 any of their expenses and costs in the place and in the currency chosen by the Contractor.

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, harbors, dikes, jetties, dredges, sea walls, under water piers and other facilities; ships, vehicles, railways, 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.

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 Liberia, 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, subject to payment of fees applicable in Liberia, when they are located

on land owned by the STATE 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; 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.

ARTICLE 8

ACTIVITY REPORTS DURING THE EXPLORATION PERIODS AND SUPERVISION OF PETROLEUM OPERATIONS

8.1. NOCAL 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 NOCAL 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 NOCAL 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, map profiles, sections or other documents related thereto, as well as, at NOCAL's request, the originals of all recorded seismic magnetic tapes;

(c) a copy of the drilling location and completion report 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 NOCAL within a reasonable period.

Upon expiration or in the event of surrender or termination of this Contract, the original documents and samples relating to the Petroleum Operations shall be provided to NOCAL.

8.4. All data, information, documents, reports and statistics including interpretation and analysis supplied by the Contractor pursuant to this Contract shall be treated as confidential and shall not be disclosed by any Party to any other person without the express written consent of the other Parties within the life of the Exploration, Appraisal or Exploitation authorization period.

8.5 The provisions of this Article 8.4 shall not prevent disclosure:

a) By NOCAL or the STATE:

- (i) To any agency of the STATE or to any adviser or consultant to NOCAL;
- (ii) For the purpose of complying with the STATE's international obligations for the submission of statistics and related data.

b) By Contractor:

- (i) To its Affiliated Company, advisers or consultants;
- (ii) To a bona fide potential assignee of all or part of Contractor's interest hereunder;
- (iii) To banks or other lending institutions for the purpose of seeking external financing of costs of the Petroleum Operations;
- (iv) To Third Parties who shall provide services for the Petroleum Operations, including subcontractors, vendors and other service contractors, where this is essential for their provision of such services;
- (v) To government agencies for obtaining necessary rulings, permits, licences and approvals, or as may be required by applicable law or financial stock exchange, accounting or reporting practices.

8.6 Any Party disclosing information or providing data to any third party under this Article shall require such persons to undertake the confidentiality of such data.

8.7 The Contractor shall keep NOCAL informed of its activities through the duly designated representative of the latter. In particular, the Contractor shall notify NOCAL as soon as possible and in any event at least fifteen (15) days in advance of all geological surveys, seismic surveys, commencement of drilling and installation of a platform.

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

ARTICLE 9

OCCUPATION OF LAND

9.1. The STATE shall make available to the Contractor, 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 the obligation to maintain, above and below the ground, the facilities necessary for the Petroleum Operations.

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

The STATE 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 STATE, provided that the Contractor 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 STATE thereof, and the latter shall proceed to expropriation for a public purpose, at Contractor's expense. When determining the value of those property rights, no consideration shall be given to the Contractor's purpose for acquiring them and the STATE 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 STATE shall be registered in its name, but the Contractor shall be entitled to benefit therefrom for the purposes of the Petroleum Operations. During the entire term of this Contract, the STATE 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 Liberia whether owned by the STATE 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 STATE 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.

10.3. Nothing in this Contract shall limit the STATE'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, 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.

ARTICLE 11

APPRAISAL OF A PETROLEUM DISCOVERY

11.1. In the event the Contractor discovers Petroleum, it shall, as promptly as possible, notify NOCAL 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 abovesentioned Petroleum discovery, it shall submit for approval to NOCAL, 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 Article 5 shall be applicable, mutatis mutandis, to said program as regards its approval and performance, it being understood that the submitted program shall comply with good international petroleum industry practice.

11.3. If the Contractor meets the conditions referred to in Article 11.2 and on request to NOCAL, 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 expiration 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.

Further extensions of the appraisal period may be requested by Contractor and granted by NOCAL, in the event that further geological, geophysical, subsurface, facilities or commercial work is considered justified by the Contractor, in order to establish whether the Field corresponding to the Petroleum discovery is commercial.

11.3.2. Within three (3) months after the completion of appraisal work, and no later than thirty (30) days prior to the expiration of the appraisal period, the Contractor shall provide NOCAL 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 NOCAL, 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 production, 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 NOCAL 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, NOCAL 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 NOCAL. Within ninety (90) days after the submission of said plan, NOCAL 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 NOCAL upon the date of such agreement.

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

11.4. If for reasons not technically justified, the Contractor, within twelve (12) months after notification to NOCAL 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, NOCAL 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 the above periods and on receipt of NOCAL's written 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.

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 NOCAL 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. Contractor shall retain the right to carry out exploration operations within the Exploitation Perimeter.

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, NOCAL 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 NOCAL, 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, NOCAL may require the Contractor to exploit said Field in association with the right holder of the adjacent area under the provisions of a utilization agreement.

Within six (6) months after NOCAL 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 right holder 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 expiration of the exploitation period of twenty-five (25) years above-defined, a commercial exploitation of a Field remains possible NOCAL shall authorize the Contractor, at the latter's request submitted at least twelve (12) months prior to said expiration, 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 expiration of that additional exploitation period, a commercial exploitation of said Field remains possible, the Contractor may request NOCAL, at least twelve (12) months prior to said expiration that it 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 notices which may be reduced with NOCAL'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 practices arising out of its surrender.

13.3. Interruption of development work or production of a Field declared commercial, for a consecutive period of at least six (6) months (unless extended by periods of Force Majeure), decided by the Contractor without NOCAL'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.

13.4. Upon expiration, surrender or withdrawal of the last exclusive exploitation authorization granted to the Contractor, this Contract shall terminate.

13.5. The termination of this Contract, whatever the reason thereof, shall not relieve the Contractor of any obligations incurred prior to, or arising from, said expiration or termination and which shall be fulfilled.

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 in accordance with good international oil field practice for the exploitation of said Field.

14.2. However, if the Contractor can provide commercial, technical or 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, NOCAL agrees not to force the Contractor to continue the exploitation of such Field.

In that event, NOCAL, in its discretion, may withdraw the exclusive exploitation authorization concerned with respect to such Field from the Contractor without any compensation for the latter, by giving a sixty (60) days' prior notice.

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 11.3.5 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 Liberia which is necessary for the Petroleum Operations, provided that it shall submit plans to NOCAL 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.

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 the development and production plan 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, if deemed appropriate by Contractor and NOCAL, 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 NOCAL 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 or other methods to monitor reservoir performance as agreed by the Parties.

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 for the approval of NOCAL which shall not be withheld provided that the Contractor gives proper technical and economic grounds.

15.9. The Contractor shall measure all Petroleum produced after extraction of the water and associated substances using, with the agreement of the NOCAL, instruments and procedures in keeping with the international petroleum industry methods. NOCAL shall have the right to examine these measurements and to inspect the instruments and procedures used. If during exploitation, the Contractor wishes to change said instruments and procedures, it shall obtain the prior consent of NOCAL, which will not be unreasonably withheld.

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 **eighty percent (80%)** 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 **eighty percent (80%)** 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 expiration 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, hereinafter referred to as "Remaining Production," shall be shared between NOCAL and the Contractor as follows:

The Remaining Production shall be shared according to the daily Total Production from the Delimited Area. Remaining Production shall be shared incrementally on the basis of the following production tranches:

Increments of daily Total Production (in Barrels per day)	NOCAL's Share	Contractor's share
from 0 to 30,000	30%	70%
from 30,000 to 75,000	35%	65%
from 75,000 to 200,000	40%	60%
from 200,000 to 300,000	50%	50%
> 300,000	55%	45%

In the case of natural gas the following production sharing shall apply.

Production of Natural Gas (in Barrels of crude Oil equivalent) per day	NOCAL's share	Contractor's share
	30%	70%

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

For the purposes of the tax legislation of the Republic of Liberia, the quantity of Crude Oil that NOCAL 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 Liberia which will be assessed on its incomes. NOCAL agrees to pay from this portion any income tax on behalf and in the name of the Contractor as and when due, and to deliver to the latter official receipts of such payments.

16.4. NOCAL may receive its share of production defined in Article 16.3 either in kind or in cash.

16.5. If NOCAL wishes to receive in kind all or part of its share of production defined in Article 16.3 it shall so notify in writing to 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.

16.6. If NOCAL wishes to receive in cash all or part of its share of production defined in Article 16.3 or if NOCAL 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 NOCAL's share, of production to be taken in cash for the quarter concerned, lift said share during such quarter and pay to NOCAL within thirty (30) days following the date of each lifting, an amount equal to the quantity corresponding to NOCAL's share of production multiplied by the sale price defined in Article 18.

NOCAL 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 Liberia concerning taxes which are or may be levied on incomes, or determined thereto.

It is specifically acknowledged that the provisions of this Article shall apply individually to each 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 Liberia, 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 profit arising from Petroleum Operations, be liable to an income tax under the laws and regulations in force in Liberia.

Income Tax Rate applicable to Petroleum Operations carried out under this Contract shall be thirty eight (38%) percent.

In accordance with the provisions of Article 16.3 it is expressly agreed and acknowledged that NOCAL's share of the volume of crude oil includes a volume of crude oil to meet Contractor's Liberian Income Tax liabilities, from which NOCAL shall pay Contractor's income tax. The Contractor shall not be liable for any payment to the STATE (including tax authorities) with respect to said income tax. As regards the tax authorities of Liberia, the share of Crude Oil of Total Production, which the Contractor is entitled to receive under the provisions of Article 16.3 is considered as representing the net profit obtained by the Contractor.

17.3. For the purposes of assessing the total Contractor's taxable 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 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.

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 be deducted under the applicable laws of Liberia and the provisions of this Contract.

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

(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, provided, however, that 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.

(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;

* As set out in Accounting procedure, in light of the services rendered to the Petroleum Operations performed in Liberia, 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) Interest paid to creditors of the Contractor, for their actual amount, subject to the limits 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.

(g) Surface rentals as defined in article 17.10.

(h) any other Contractor expense recorded according to Accounting Procedures.

17.5. The total Contractor's taxable profit shall be equal to the difference, between all the amounts credited and all the amounts debited in the profit and loss account.

PLUS

An amount equal to Contractor's Liberian Income Tax paid by NOCAL on behalf and in the name of the Contractor.

If this amount is negative, it shall constitute a loss that could be carried forward to the following years without any limited period of time.

17.6. NOCAL shall assume, pay and discharge, in the name and on behalf Contractor, Contractor's Liberian Income Taxes out of the sums received by NOCAL from the sale or other disposition of it's share of Crude Oil.

NOCAL shall be responsible for any penalty or interest due to the late payment of the Contractor's Income Tax, and shall assume any cost that this delay may cause to Contractor.

17.7. 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 applicable regulations. Contractor shall provide NOCAL with a copy of the Tax return duly submitted to the Tax Authorities.

NOCAL shall, after receiving the copy of said annual tax return, furnish to the Contractor within a reasonable period (no more than sixty days) the tax receipts evidencing the payment of Contractor's Liberian income tax 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 income tax as defined in this Article. Such receipts shall be issued by the relevant taxing authorities and shall state the amount and other particular circumstances, according to Appendix Three (3) of this Contract.

17.8. Except for the 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 or 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.

Neither withholding tax nor additional taxes would be applicable on the interest payment, dividends, deemed dividends, transfer of profits or deemed remittance of profits from a Contractor's branch in Liberia to its foreign or head office or in relation to services rendered by subcontractors.

Neither sales taxes nor any other taxes, levies or duties shall be applicable to the Contractor's Petroleum Operations or activities.

17.9. Assignments of any kind between the companies signing this Contract and their Affiliated Companies as well as any assignment made in accordance with this Agreement (even to a Third Party) shall be exempt from any duties or taxes, including Income Tax, payable in such respect.

17.10. Surface rentals shall be payable to NOCAL per square kilometer of the area remaining at the beginning of each Calendar Year as part of the Delimited Area, in the amounts as set out below:

Phase of Operation	Surface Rentals Per Annum
First Exploration period:	US\$ 30 per sq. km.
Second Exploration period:	US\$ 50 per sq. km.
Third Exploration period:	US\$ 75 per sq. km.
Development & Exploitation Perimeter:	US\$100 per sq. km.

ARTICLE 18

VALUATION OF PETROLEUM

18.1. For the purposes of this Contract, 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 lifting 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 NOCAL 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.

18.3. In the event such sales are not made, 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 contract term, quantity and quality equivalent to the Crude Oil from the Delimited Area in the same markets as those in which the Liberian 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.

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 Liberian domestic market;

(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 NOCAL 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, NOCAL 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 NOCAL within that thirty (30) day 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 NOCAL.

In the event that NOCAL has notified objections to the Market Price, the Parties shall meet within fifteen (15) days following NOCAL'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, NOCAL 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 Centre of 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.

ARTICLE 19

BONUSES

19.1. The Contractor shall pay to NOCAL the following bonuses:

(a) Two million US Dollars (US\$2 million) 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) Three million US Dollars (US\$3 million) 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) Five million US Dollars (US\$5 million) 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 expiration of the reference period of thirty (30) consecutive days.

19.2. The payments referred to in Article 19.1 will be recoverable and, therefore, shall be considered as Petroleum Costs.

ARTICLE 20

OWNERSHIP AND ABANDONMENT OF ASSETS

20.1. Upon expiration, 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 NOCAL the ownership of assets, movables and immovables owned by the Contractor and 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, harbors, wharfs, 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 Liberia governed by other contracts.

20.2. If NOCAL 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 accrued costs of which shall be cost recoverable), the facilities relating to the surrendered area.

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 in discussions with NOCAL 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. 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 expiration of the third exploration period set forth in Article 3.3 to be granted an exclusive appraisal authorization concerning the Appraisal Perimeter of the abovementioned discovery, for a term of two (2) years.

In addition, the Parties shall jointly evaluate the possible outlets for the Natural Gas, 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 expiration of the appraisal period an application for an exclusive exploitation authorization which NOCAL will grant under the terms provided by Article 12.1

The Contractor shall then have the right and 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, NOCAL may, by giving twelve (12) months prior notice which may be reduced either with NOCAL'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, NOCAL 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 to all Non-Associated Natural Gas which could be produced from said discovery, and NOCAL 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.

21.2 Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall state 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 NOCAL 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 NOCAL, under the terms provided by Article 11.3.5., 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 NOCAL, at any time, would wish to utilize it, NOCAL shall notify the Contractor thereof, in which event:

(a) the Contractor shall make available to NOCAL free of charge at the Crude Oil and Natural Gas separation facilities all or part of the excess that NOCAL wishes to lift;

(b) NOCAL shall be responsible for the gathering, processing, compressing and transporting of that excess from the above mentioned separation facilities, and shall bear any additional Petroleum 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 NOCAL, 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 rejected 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 NOCAL 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 NOCAL 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, NOCAL 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.

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 one hundred percent (100%) of the price of high sulfur heavy fuel oil (expressed in Dollars per million BTU) exported from or imported into Liberia with price floors and ceilings agreed between the Parties, or such other price as NOCAL (or the national entity that the STATE 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. In the event of the discovery of a Natural Gas field which may not be commercial at that time, the Contractor shall not be required to proceed with the appraisal and development of the Natural Gas field until it is commercial to develop. An exclusive Appraisal Perimeter will be agreed by the Parties around the discovery of the Natural Gas field. The Contractor shall consult with NOCAL every five (5) years from the date of the discovery to examine alternatives for the economic and efficient development of the field. Notwithstanding anything in this Contract, the Contractor shall not be required to relinquish such Appraisal Perimeter for a period of twenty (25) years from the expiration of the exclusive exploration authorisation.

ARTICLE 22

FOREIGN EXCHANGE CONTROL

22.1. The Contractor shall comply with the foreign exchange control regulations, subject to the provisions of this Article:

22.2. 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 Liberia.

22.3. No restriction shall be exercised on importation by the Contractor of funds intended for the performance of the Petroleum Operations.

22.4. The Contractor shall have the right to purchase currencies of Liberia with foreign currencies, and freely exchange into foreign currencies of its election any funds held by it in Liberia in excess of its local requirements at exchange rates which shall not be less favorable than those generally applicable to any other buyer or seller of foreign currencies.

ARTICLE 23

APPLICABLE LAW

The laws and regulations in force in the Republic of Liberia and the provisions of international law as may be applicable to international oil and gas activities shall apply to the Parties, to this Contract and to the Operations which are the purpose thereof, unless otherwise provided by the Contract.

ARTICLE 24

MONETARY UNIT

24.1. The registers and accounting books relating to this Contract shall be maintained and recorded in Dollars. Said registers and accounting books shall be used to determine the Petroleum Costs, gross income, exploitation costs and net profits 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.

24.2. 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.

24.3. The originals of the registers and accounting books referred to in Article 24.1 shall be kept in Liberia.

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

ARTICLE 25

ACCOUNTING METHODS AND AUDITS

25.1. 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.

25.2. After giving the Contractor notice thereof in writing, the STATE shall have the right to cause the registers and accounting books relating to the Petroleum Operations to be inspected and audited by its own agents or by experts of its election, and shall have a period of three (3) years following the end of each Calendar Year to carry out those inspections or audits relating to said Year and may submit its objections to the Contractor for any contradictions or errors found during such inspection or audits. Should the STATE fail to make any claim within the above-mentioned period of three (3) years, no further objection or claim shall be made by the Liberian administration for the Calendar Year concerned.

ARTICLE 26

IMPORT AND EXPORT

26.1. (a) The Contractor shall have the right to import into Liberia, 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; such imports include but are 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 Liberia, 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 Liberia 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 26.1.(a) insofar as such items are available in Liberia 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 Liberia, free of all duties and taxes and at any time, all the items imported under Article 26.1. (a) and (b) which are no longer used for the Petroleum Operations except the items which have become the property of the State under the provisions of Article 20.

26.2. All the technical materials, machinery and tools, goods and supplies specified in Article 26.1 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 Liberia, 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 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 Liberia 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 Liberia and the administrative regularization relating to their admission will be made later and as soon as possible.

(b) Supply regime for consumable goods and foodstuffs, fuels and lubricants used at sea, in particular on all ships, aircraft and machinery used for petroleum exploration and exploitation.

(c) Exempt admission regime according to the regulations in force, for furniture, clothing, household appliances and personal effects.

26.3. The Contractor, its agents, contractors and subcontractors shall, provided that they inform the STATE in advance of their intent to sell and subject to the provisions of Article 20, have the right to sell in Liberia, 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.

26.4. 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 STATE.

26.5. NOCAL will provide all relevant duty exemption documentation. NOCAL shall grant exemptions from the import and export duties and shall ensure that pre-inspection regulations, if any, are not onerous.

ARTICLE 27

DISPOSAL OF PRODUCTION

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil Production to which the Contractor is entitled, shall be sold to NOCAL by the Contractor for the purpose of satisfying the needs of the domestic market of Liberia. Such contribution of the Contractor shall be in proportion to its share of production, in the total Crude Oil Production in Liberia.

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

27.2. The price of the Crude Oil sold to NOCAL under Article 28.1 for the needs of the domestic market shall be the Market Price defined in Article 18. That Crude Oil price shall be payable to the Contractor in Dollars forty five (45) days after receipt of the invoice unless otherwise agreed between the Parties.

27.3. The transfer of title to, and risk 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.

27.4. Each of the Parties shall have the right and obligation, 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 overflow 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.

ARTICLE 28

PROTECTION OF RIGHTS

28.1. The Contractor shall take all necessary steps to achieve the objectives of this Contract in its conduct of Petroleum Operations.

28.2. NOCAL shall take all necessary steps to facilitate the implementation by the Contractor of the objectives of this Contract, and the STATE shall protect the property and operations of the Contractor, its employees and agents in the territory of Liberia.

28.3. At the request of the Contractor, the STATE 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.

28.4. 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 Liberian legislation.

ARTICLE 29

PERSONNEL, TRAINING, SOCIAL AND WELFARE

29.1. The Contractor shall, for the purposes of the Petroleum Operations, employ nationals of Liberia whenever qualified for requirements of the employment.

Managers, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled workers, secretaries and executive employees may be hired outside Liberia if similarly qualified specialists cannot be hired in Liberia.

29.2. Upon commencement of the Petroleum Operations, the Contractor shall organize a training program for Liberian nationals. For that purpose the Contractor shall devote a minimum annual training Budget of:

(a) One Hundred Thousand US Dollars (US\$100,000) during each year of the exploration periods;

(b) One Hundred and Fifty Thousand US Dollars (US\$150,000) during each year of the exploitation periods.

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

Repsol shall submit to NOCAL its annual proposal for the petroleum industry training 6 months after execution of the PSC in the first year and 60 days in advance of the end of the Calendar Year in subsequent years. The training program shall be mutually agreed between the Parties.

29.3. The entry into Liberia of all foreign personnel shall be authorized and the STATE 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 Liberia. At the request of the Contractor, the STATE shall facilitate any immigration formalities with the Immigration Bureau, at the points of entry into and out from Liberia, in respect of the Contractor's employees, contractors, subcontractors and agents, and their families, all without undue delays.

29.4. 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.

29.5. Upon commencement of Petroleum Operations the Contractor shall provide funding for social and welfare programs in Liberia ("Social and Welfare Programs"). For that purpose the Contractor shall devote a minimum annual training Budget of:

(a) **One Hundred and Fifty Thousand US Dollars (US\$150,000)** during each year of the exploration periods;

(b) **One Hundred and Fifty Thousand US Dollars (US\$150,000)** during each year of the exploitation periods.

The Social and Welfare expenses borne by the Contractor shall be included in the recoverable Petroleum Costs.

Repsol shall submit to NOCAL its annual proposal for the Social and Welfare Program 6 months after execution of the PSC in the first year and 60 days in advance of the end of the Calendar Year in subsequent years. The Social and Welfare Program shall be mutually agreed between the Parties.

ARTICLE 30

ACTIVITY REPORTS IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORISATIONS

30.1. The provisions of Article 12 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.

30.2. The Contractor shall forthwith notify the STATE 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.

30.3. From the year of granting an exclusive exploitation authorization, the annual report 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 and their nationality, together with a report on the medical care and training provided to them.

ARTICLE 31

ARBITRATION

31.1. In the event of any dispute between the STATE or NOCAL 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 Chamber of Commerce in accordance with its rules and regulations.

31.2. The arbitration shall be held in London, England. The language used during the procedure shall be the English language. The arbitration shall be determined by three (3) arbitrators. The arbitrators shall not have the same nationality as the Parties.

The arbitration tribunal's award shall be final, it shall be binding on the Parties and shall be enforceable in any court of appropriate jurisdiction.

31.3. 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 International Chamber of Commerce 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 32

FORCE MAJEURE

32.1. 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 to 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.

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

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

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

ARTICLE 33

JOINT AND SEVERAL OBLIGATIONS AND GUARANTEES

33.1. 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 STATE 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 obligation in fairness and good faith and that this Contract will not be cancelled, amended or modified except by agreement between the Parties.

33.2. Where the Contractor is constituted by several entities, the obligations and liabilities of those entities under this Contract shall be joint and several.

ARTICLE 34

RIGHTS OF ASSIGNMENT

34.1. 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 assignee 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 assignment shall be subject to the prior approval of NOCAL, which approval shall not be unreasonably withheld.

If within thirty (30) days following notification to NOCAL, of a projected assignment accompanied by all its related information and the draft assignment deed, NOCAL has not given its decision, that assignment shall be deemed to be approved by NOCAL.

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

34.2. 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.

ARTICLE 35

STABILITY OF CONDITIONS

35.1. 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.

35.2. 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.

ARTICLE 36

IMPLEMENTATION OF THE CONTRACT

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

NOCAL 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 Ministries and/or Agencies of the Administration.

36.2. Any notices or other communication under this Contract shall be deemed to have been made when they are delivered to an authorized representative of the Party concerned at the location of said Party's principal office in Liberia, or sent by telegram, cable or facsimile with all expenses paid, or deposited as registered letters with the Postal administration of Liberia with postage prepaid. Notifications shall be deemed to have been made on the date when the addressee shall receive them.

Notices to NOCAL should be sent to :

President and CEO
National Oil Company of Liberia
Episcopal Church Plaza, 3rd Floor
Corner Ashmun and Randall Streets,
1000 Monrovia,
10 Liberia
E-Fax: +1 703 852-7265
Tel: +37 747 510-519

Notices to Repsol Exploracion SA should be sent to

Regional Director Exploration
Europe, Africa and Asia
REPSOL EXPLORACION SA
278-280 Paseo de la Castellana
Madrid 28046, Spain
Fax: 0034 91 348 9420
Tel: 0034 91 348 7391

36.3. If NOCAL 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 this Contract.

36.4. The terms and conditions of this Contract may be modified only in writing and by mutual agreement between the Parties.

36.5. Unless otherwise specified in writing, the Ministry and NOCAL shall represent the STATE under this Contract and is empowered to grant, in the name and on behalf of the STATE, any consent necessary or useful for the implementation of this Contract.

36.6. 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.

36.7. Appendices 1 and 2 attached hereto shall form an integral part of this Contract.

36.8. Any waiver of the STATE or NOCAL concerning the performance of any obligation of the Contractor shall be in writing and signed by the representative of the STATE or NOCAL, and no waiver shall be implied if the STATE or NOCAL does not exercise any of its rights to which it is entitled under this Contract.

ARTICLE 37

EFFECTIVE DATE

The Effective Date shall be the date on which NOCAL delivers to Contractor written evidence of the enactment of the legislature of the Republic of Liberia giving this agreement the full force of the law in the Republic of Liberia.

IN WITNESS WHEREOF, the Parties have signed this Contract on the date as set forth below.

For: The National Oil Company
of Liberia – NOCAL

WITNESS:

By: 
F. Musah Dean, Jr.
President & Chief Executive Officer

By: 
Date: 7-7-04

For: Repsol Exploracion S.A.

WITNESS:

By: 
Miguel Ángel Remón Gil
Executive Vice-President

By: 
Date: 7-7-2004

For the Republic of Liberia

By:
His Excellency, C. Gyude Bryant
Chairman, National Transitional
Government of Liberia

.....
Date:

APPENDIX 1

Attached to and made part of this Contract between the Republic of Liberia and the Contractor.

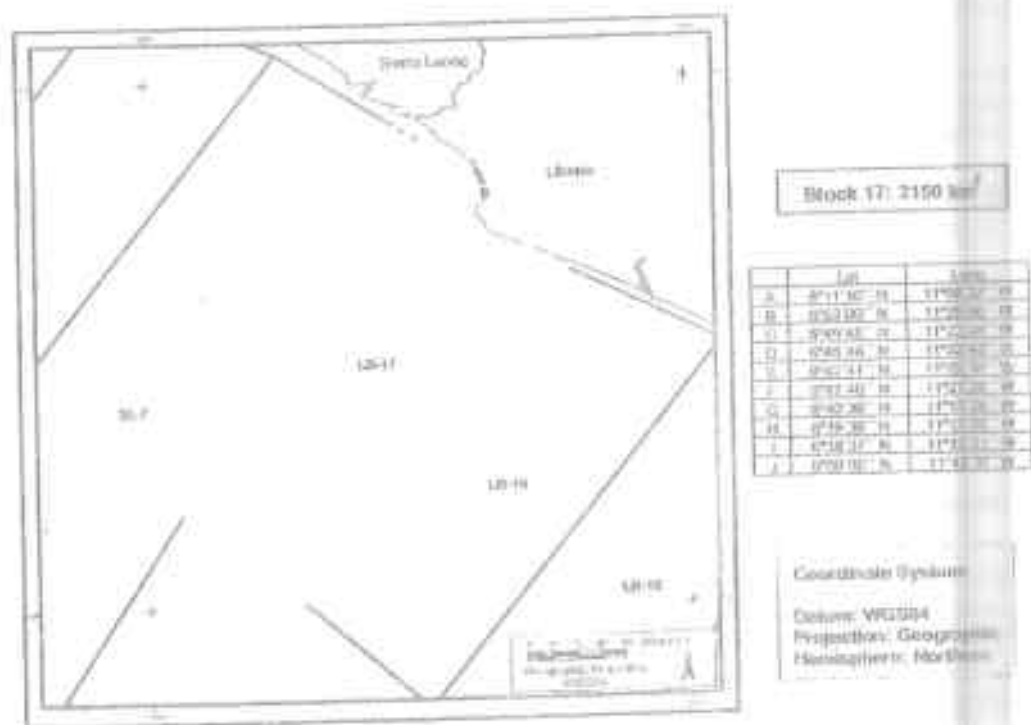
DELIMITED AREA

On the Effective Date, the Delimited Area, designated as Block LB-17, is formed by the area included inside the perimeter constituted by the points indicated on the attached map below.

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

These coordinates are only given for purposes of illustration and shall not be considered as the boundaries of the national jurisdiction of Liberia.

The surface of the Delimited Area above-defined is deemed to be equal to about 3,150 sq. km.



APPENDIX 2

Attached to and made part of this Contract between the Republic of Liberia and the Contractor.

ACCOUNTING AND TAX PROCEDURE

Article I – General Provisions

I.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.

The purpose of this Accounting Procedure is to establish the principles of accounting which shall reflect the Operator's actual costs relating to Joint Operations to the end that the Operator shall, subject to the provisions of the Agreement, neither gain nor lose by reason of the fact that it acts as Operator.

I.2 Definitions

The definitions contained in Article 1 of the Agreement shall apply to this Accounting Procedure and shall have the same meanings when used herein. In addition certain terms used herein are defined as follows:

Accrual Basis shall mean that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the cost is incurred or the right to benefits arises regardless of when invoiced, paid or received.

Controllable Material shall mean items of Material which in the petroleum industry are subject to record, control and inventory.

Exclusive Operation Account shall mean the accounts maintained by Operator to record all expenditures, receipts and other transactions of Parties participating in Operations by less than all Parties.

Material shall mean the personal property, including but not limited to equipment and supplies, acquired and held for use in the Joint Operations.

I.3 Accounts and statements

The registers and accounting books of the Contractor shall be in conformity with accounting rules and regulations for business applicable in Liberia. However, the Contractor may apply the accounting rules including accrual basis and procedures customarily used in the petroleum industry, insofar as none of these are contrary to the rules and regulations referred to above.

In accordance with the provisions of Article 25 of the Contract, accounts, books and registers shall be maintained in English language and in U.S. dollars and in such other language and currency as may be required by the laws of Liberia. Conversions of currency shall be recorded at the rate actually experienced in that conversion. Currency translations for expenditures and receipts shall be recorded in accordance with the provisions of the Contract and Operator's normal procedures. Any gain or loss resulting from the translation or exchange of currency shall be credited or charged to the Joint Account. 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 Income Tax return.

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 Liberia. 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 Liberia in order to be provided at the request of the competent authorities of Liberia.

1.4. Interpretation

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

1.5. Modifications

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

If any method established herein proves unfair or inequitable to the parties, both shall meet and in good faith endeavour to agree on changes in methods deemed necessary to correct any unfairness or inequity.

Article II – Petroleum Costs

II.1. Petroleum Costs Account

The Contractor shall maintain a "Petroleum Costs Account" which will record in detail the expenses incurred by the Contractor directly relating to the Petroleum Operations carried out under this Contract, and which will be recoverable in accordance with the provisions of Article 15 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 Liberia;
- (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 II.4.(b) below;
- (d) the total amount of Petroleum Costs which remain to be recovered;
- (e) the calculation of Taxable Income.

For the purposes of Article 16 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.

II.2. Items debited to the Petroleum Costs Account

The following expenses and costs shall be debited to the Petroleum Costs Account, and shall also be deductible for Income Tax return, according with article 17.

II.2.1. Personnel expenses

The actual cost of personnel employed by the Operator and personnel seconded by Operator's Affiliates to the Operator, who are directly engaged in the conduct of Petroleum Operations, whether permanently or temporarily assigned and irrespective of where such personnel are located, and not otherwise covered in following section. Such costs shall include:

- Salaries and wages, including everything constituting the employees' total compensation.

To the extent not included in salaries and wages, the Joint Account shall also be charged with the cost to Operator of holiday, vacation, sickness, disability benefits, living and housing allowances, travel time, bonuses, dependent schooling, language courses, company cars, hardship allowances and other customary allowances applicable to the salaries and wages chargeable hereunder, as well as costs to Operator for employee benefits, including but not limited to employee group insurance, medical insurance, hospitalization, pension, retirement, and other benefit plans of a like nature.

- Expenditures or contributions made pursuant to assessments imposed by any governmental authority for payments with respect thereto or on account of such employees.
- Expenses incurred by employees which are paid or reimbursed by Operator in accordance with applicable personnel policies, including travelling and relocation expenses and living allowance (when paid in lieu of hotel expense for visits to site) and those expenses incurred in connection with the families of personnel where appropriate.
- Actual costs incurred by Operator for training pursuant to its training policy or as required by the Country of Operations regulations for employees permanently assigned to the Joint Operations.
- Any other costs related to personnel in accordance with Operator's and/or its Affiliates' standard personnel policies or contractual agreements applicable to employees.
- Actual cost of salaries, wages and related benefits incurred by Operator for personnel seconded from any Non-Operator. Personnel hired from third parties shall be charged at the net cost paid by Operator.
- If employees are engaged in other activities in addition to the Joint Operations, the cost of such employees shall be allocated on an equitable basis.
- Relocation costs to and from the Country of Operations or location where the employees will reside or work, whether permanently or temporarily assigned to the Joint Operations. Such relocation costs shall include transportation of employees, families, personal and household effects of the employee and family and all other related costs in accordance with the Operator's and its Affiliates' usual practice. However, relocation costs of employees from the Joint Operations to other foreign operations of the Operator or its Affiliates shall not be chargeable to the Joint Account unless such foreign location is the point of origin of the employee.

II.2.2. Transportation

- Transportation and business related travel expenses of personnel as required in the conduct of Joint Operations.

II.2.3 Overhead costs in Liberia

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

II.2.4. 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 directly 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 three percent (3%) of the 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 three percent (3%) of expenses charged to the Petroleum Costs

Account excluding overhead costs for the year in question.

II.2.5 Buildings and Miscellaneous Facilities

Construction, maintenance expenses, as well as rents paid for all offices, suboffices, camps, houses, warehouses, communication systems and other utilities, facilities and buildings of other types, including housing for employees, and cost of equipment, furniture, and fittings necessary for the operation of those buildings directly required for the performance of the Petroleum Operations.

II.2.6 Damages and Losses

All costs and expenses necessary for the repair or replacement of Joint Property resulting from damages and losses incurred by fire, flood, storm, theft, accident, or any other cause. Operator shall furnish Non-Operators written notice of damages and losses incurred in excess of one hundred thousand U.S. dollars (US \$ 100,000) for each incident as soon as practicable after a report thereof has been received by the Operator. The Operator shall furnish to any Non-Operator, in respect of any damage and loss, such information and documentation as may be reasonably requested.

II.2.7. Insurance and Claims

Premiums to affiliate companies or third parties for any insurance required by law or the Contract.

Premiums for insurance required by the Parties, except that a Party not participating in such insurance shall not share in the costs.

Expenditures incurred in the settlement of all losses, claims, damages, judgments, and other expenses for the benefit of Joint Operations.

Credits for settlements received from insurance and others, except that a Party not participating in the insurance shall not share in any such settlements.

II.2.8 Legal Expenses

All costs or expenses of litigation and legal services necessary or expedient for the handling, investigation, defending, and settling litigation or claims arising by reason of Joint Operations, or which are necessary to protect or recover Joint Property, including but not limited to, attorneys fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims. Unless otherwise expressly provided under this Agreement, costs or expenses of disputes between the Parties shall not be charged to the Joint Account.

If the Parties shall so agree, actions or claims affecting the Joint Operations may be handled by the legal staff of one or any of the Parties hereto, and a charge commensurate with the reasonable costs of providing and furnishing such services rendered may be made by the Party providing such service to Operator for the Joint Account, but no such charges shall be made until approved by the Parties.

II.2.9. Services

Costs of services related to Petroleum Operations rendered by subcontractors and consultants, as well as any costs directly related to services rendered by the STATE or NOCAL or any other authorities of the Republic of Liberia.

Costs of services directly related to Petroleum Operations rendered by Affiliated

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

Examples of such services include, but are not limited to the following:

- Geological Studies and Interpretation.
- Seismic Data Processing.
- Well Log Analysis, Correlation and Interpretation.
- Well Site Geology.
- Laboratory Services.
- Ecological and Environmental Engineering.
- Abandonment Studies.
- Project Engineering.
- Source Rock Analysis.
- Petrophysical Analysis.
- Geochemical Analysis.
- Drilling Supervision.
- Development Evaluation.

Such services shall be charged at cost and supported by time records and any other relevant information.

II.2.10. Financial Costs

All interests paid by the Contractor in respect of the loans 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 of Petroleum Operations in respect of a Field. 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.

II.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.

II.2.12 Ecological and Environmental Charges

All costs incurred for the benefit of the Joint Property and other Property under the Agreement as a result of governmental or regulatory requirements and/or Operator's policies to comply with environmental rules applicable to Operations.

These costs may include ecological or archaeological surveys and pollution control procedures required by the applicable laws and regulations.

II.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 Liberia, are not chargeable to the Petroleum Costs Account and shall therefore not be recoverable. Notwithstanding the above, such expenses shall be considered as deductible expenses for income Tax purposes.

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;
- (d) bonuses defined in Article 19 of the Contract;

II.4. Items credited to the Petroleum Costs Account

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

- (a) 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;

Article III – Cost Evaluation Basis For Services, Materials and Equipment Used in the Petroleum Operations

III.1. Technical services

A reasonable rate shall be charged for the technical services rendered by the Contractor or its Affiliated Companies for the direct 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.

III.2. Valuation of materials and equipment purchased by Contactor

Materials and equipment purchased from Third Parties and directly 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 Contactor. "Net Cost" shall include but shall not be limited to such items as taxes, shipping agent fees, transportation, loading and unloading costs, license fees, related to the supply of materials and equipment, as well as transit losses not recovered through insurance.

III.3. Depreciation of equipment and facilities owned exclusively by the Contactor, for Tax purposes

Only for tax purposes, equipment and facilities owned by the Contactor and used directly for the Petroleum Operations shall be depreciated with Unit of Production method, that is customary used in the petroleum industry. It is also understood that any expense regarding maintenance, repairs, and services required for the performance of the Petroleum Operations shall be deductible.

For Petroleum Cost Account, it shall be charged according to what is agreed in article 16.7 and shall be considered as development expenditures.

Maintenance, repairs, and services shall be charged to the Petroleum Costs Accounts as operating expenses.

III.4. Valuation of materials

All materials transferred to Liberia from the Contactor's warehouses, or from those of any entity constituting the Contactor 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 percent (100%) of the current market price, which corresponds to the price normally charged for similar supplies in arm's length transactions between buyer and seller.

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 percent (75%) of the price of new material.

(b) 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 percent (50%) of the price of new material.

(c) 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 percent (25%) of the price of new material.

(d) Scrap material

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

III.5. Warranty of Material

The Operator does not warrant the Material charged to the Joint Account beyond the manufacturer's or supplier's guarantee, express or implied. In the case of any such Material which is defective a credit shall not pass to the Joint Account until an adjustment has been received by the Operator from the manufacturer or supplier.

III.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 III.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 III.4 above.

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

Article IV – Inventories

IV.1. Period

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, but at least annually, with the physical inventories as required by the Parties.

IV.2. Notice

A written notice of intention to take an inventory shall be sent by the Contractor at least thirty (30) days prior to the commencement of said inventory so that the STATE and the entities constituting the Contractor may be represented at their own expenses during the inventory operations.

IV.3. Information

In the event the STATE 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 V – Financial and Accounting Statements

The Contractor shall furnish the STATE and NOCAL 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:

V.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 fulfill 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.

V.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 II.5.(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.

V.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 Petroleum 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.

LIBERIA PSC Block LB-17
Income Tax Return for the year ended December 31,

Revenues

Cost recovery oil
Excess oil
Production sharing oil
Sale of related substances
Services rendered to third parties

Total Revenues

Deductible Expenditures

Petroleum Costs

Personnel expenses
Overhead Costs (in Liberia and abroad)
Materials and rentals
Depreciation of Buildings and equipment
Services
Insurance premiums
Legal expenses
Financial Costs related to the development activity

Other deductible expenses

Bonuses
Provisions
Exchange losses
Assets losses
Surface Rentals
Other financial expenses

Total deductible expenses

NET PROFIT

Gross up value

Taxable Income

Tax at %

APPENDIX 3

Attached to and made part of this Contract between the Republic of Liberia and the Contractor:

Tax Certificate

Republic of Liberia
Ministry of Finance

RECEIPT OF TAX PAYMENT

The Tax Authorities of the Republic of Liberia certifies that REPSOL EXPLORACIÓN _____, S.A. is a chargeable person under the Liberian Income Tax Law (LAW n° _____/2000)

Further more, the Tax Authorities of the Republic of Liberia also certifies that the National Oil Company of Liberia (NOCAL) has settled, in the name and on behalf REPSOL EXPLORACIÓN _____, S.A. the Income Tax due, to the STATE under the Petroleum Production Sharing Contract dated ____/____/____, and in accordance with The New Petroleum Law of Liberia. The amounts paid for the period from 01/01/____ to 31/12/____ are as follows:

Income Tax: _____

Total Amount: _____

The Tax Authorities also certifies that the Contractor has, for the Fiscal Year in question, complied with all its tax obligations with respect to the Income Tax.

Ministry of Finance

Name: _____

Title: _____

Date: _____

**ADDENDUM TO PRODUCTION SHARING CONTRACT
BETWEEN THE NATIONAL OIL COMPANY OF LIBERIA
AND REPSOL EXPLORACION S.A., BLOCK LB-17**

BETWEEN

The Republic of Liberia, represented for the purposes of this Addendum by the National Oil Company of Liberia NOCAL, a company duly organized, existing and doing business under the laws of Liberia; represented by its Chairman of the board and President/CEO, hereinafter referred to as "NOCAL";

AND

Repsol Exploracion, S.A. a company incorporated under the laws of Spain, hereinafter referred to as ("the Contractor").

WITNESSETH:

WHEREAS, a Production Sharing Contract (hereinafter, the "Contract") was entered into by and between NOCAL and the Contractor on July 7, 2004;

WHEREAS, the conditions of Article 37 of the Contract have not been satisfied up to and including the date hereof;

WHEREAS, pursuant to Article 33 of the Contract, the Parties have mutually agreed to amend the Contract on the terms and conditions set forth herein;

NOW THEREFORE, for and in consideration of the exchange of promises, the Parties herein covenant and mutually agree to amend the articles and sub-articles to the Contractor as follows:

**ARTICLE 3
DURATION OF EXPLORATION PERIODS AND SURRENDERS**

3.1 The exclusive exploration authorization is hereby granted to the Contractor for a period of eight (8) consecutive years defined by three (3) consecutive periods.

A first Exploration Period of four (4) Contract Years, a second Exploration Period of two (2) Contract Years and a third Exploration Period of two (2) Contract Years in respect of the entire Delimited Area.

3.2 If during the first exploration period set forth above the Contractor has fulfilled the /

NOCAL

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 two (2) Contract Years.

ARTICLE 4 EXPLORATION WORK COMMITMENTS

- 4.2 The Contractor, during the first exploration period defined in Article 3.1, shall carry out a minimum work programme at a cost of no less than eight (8) million Dollars which includes a 3D Seismic Survey of 1500 square km.

Contingent on a successful 3D seismic acquisition program and subsequent interpretation of the data, the Contractor undertakes to make reasonable efforts to drill one (1) exploratory well in the first period, but in any event not later than the middle of the second exploratory period, thereby satisfying the second exploration period minimum well commitment.

- 4.4 The Contractor, during the third exploration period defined in Article 3.1, shall carry out a minimum work programme at a cost of no less than twenty (20) million Dollars which includes the drilling of two (2) exploratory wells.

- 4.5 Each of the exploratory wells shall be drilled to a minimum depth of two thousand (2000) 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, NOCAI and the Contractor may, at any time, agree to abandon the drilling of a well at a lesser depth than the minimum contractual depth.

in order to carry out the exploration drilling defined in Articles 4.3 and 4.4 in the best technical conditions in accordance with good international petroleum industry practice, the Contractor undertakes to make the expenditure required to meet the objectives of the well work programme which will include drilling and, as appropriate, testing.

- 4.7 If at the expiration 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 a compensation to NOCAL, within thirty (30) days after the date of expiration, surrender or termination, the unspent balance of investment obligations above-defined for that current exploration period.
- 4.8 In a given exploration period, in the event where the Contractor drills, one or more additional exploration wells to those required under 4.2, 4.3 and 4.4 or exceeds its investment obligations relating to that period, then the excess well(s) or investment expenditure may be carried forward, into the next succeeding exploration period(s) and off-set against any other exploration well work commitments or investment obligations.

ARTICLE 6
CONTRACTOR'S OBLIGATIONS IN RESPECT OF THE
EXPLORATION PERIODS AND ENVIRONMENTAL
MANAGEMENT

- 6.4 The Contractor further undertakes to carry out all Petroleum Operations in accordance with the Environmental Protection and Management Laws of Liberia and all international environmental protocols. In this respect, the Contractor shall:
- (a) Submit to the Government, through NOCAL, an Environmental Impact Statement (EIS) prior to the commencement of exploration and production.
 - (b) Take reasonable preventative, corrective and restorative measures to protect from pollution, contamination or damage resulting from Petroleum Operations to water bodies, land surfaces and the atmosphere, and that any pollution, contamination and damage of such water bodies, land surface and atmosphere hereunder be rectified.

Subject to the foregoing, and at the conclusion of Petroleum Operations in the Delimited Area, the Contractor will undertake reasonable efforts to restore the Delimited Area to the state in which it was before the Petroleum Operations. However, the Contractor shall have no liability for any environmental damages caused after the transfer of such assets as per Article 20.1.

- 6.9 The Contractor and its subcontractors shall be obligated to give preference to enterprises and goods from Liberia, if conditions of proven experience, price, quality, delivery time and terms of payment are similar to those from other countries or from non-Liberian sources. If

the above conditions are met, the Contractor commits itself to award to only Liberians, supply, construction or service contracts, the estimated value of which is under Two Hundred Thousand United States Dollars (US\$200,000.00). Subject to the above conditions, in the event that the contract for supply, construction or service is above Two Hundred Thousand United States Dollars (US\$200,000.00), and is awarded to a Non-Liberian contractor, then and in that event, such Non-Liberian contractor shall enter into a partnership arrangement with a Liberian company(ies).

**ARTICLE 16
RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING**

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 seventy percent (70%) of the Total Production of Crude Oil or Gas from the Delimited Area, or only any lesser percentage which would be necessary and sufficient to recover remaining cost.

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 seventy percent (70%) of the Total Production of Crude Oil or Total Production of Gas 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 expiration of this Contract.

16.3 The Remaining Oil Production shall be shared between NOCAL and the Contractor as follows:

<u>Increments of daily oil Total Production (in Barrels per day)</u>	<u>NOCAL's Share</u>	<u>Contractor's Share</u>
from 0 to 30,000	30%	70%
from 30,000 to 75,000	35%	65%
from 75,000 to 200,000	40%	60%
from 200,000 to 300,000	50%	50%
over 300,000	55%	45%



NOCAL



In case of natural gas, NOCAL's share shall be 30% and the Contractor 70% of barrels of crude oil equivalent per day.

The last paragraph of Article 16.3 of the Contract is void and of no further force and effect.

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 Liberia concerning taxes which are or may be levied on incomes, or determined thereto.

It is specifically acknowledged that the provisions of this Article shall apply solely to the Contractor under the 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 Liberia, 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 corporate income tax under the laws and regulations in force in Liberia. Income tax rate applicable to Petroleum Operations carried out under this Contract shall be thirty (30%) percent, which shall be paid directly by the Contractor to the Government of Liberia.

Notwithstanding the above, as a further incentive to the Contractor, the Government of Liberia specifically grants to the Contractor a tax holiday (waiver) on its corporate income tax for ten (10) consecutive years from the day of the first commercial production from the Defined Area. Thereafter, the provisions of Article 17.2 shall apply and shall take effect.

The last paragraph of Article 17.2 of the Contract is void and of no further force and effect.

The Paragraph of Article 17.5 commencing with PLUS to the Contractor is void and of no further force and effect.

Paragraph 17.6 is void and of no further force and effect.

Paragraph 17.8 insert the words "During the Exploration Period", before In Particular.



Handwritten signatures and initials, including a large signature and the name 'C. Kelly' written vertically.

**ARTICLE 19
BONUSES AND HYDROCARBON
DEVELOPMENT FUND**

19.1 The Contractor shall pay to NOCAL the following bonuses:

- (a) Two (2) 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) Three (3) 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) Five (5) 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 expiration of the reference period of thirty (30) consecutive days.

19.2 These bonuses shall not be recoverable and therefore shall not be treated as Petroleum Costs.

19.3 HYDROCARBON DEVELOPMENT FUND

19.3.1 To stimulate research in the field of hydrocarbon, most especially in continental areas, and to assist the Government in its overall goal of achieving energy sustainability, a Hydrocarbon Development Fund, to be managed by NOCAL, has been established.

Consequently, the Contractor shall make a contribution of Five Hundred Thousand US Dollars (US\$500,000.00) to this fund. The aforementioned amount shall be contributed by the Contractor in four (4) equal installments of One Hundred and Twenty-five Thousand US Dollars (US\$ 125,000.00) each, over the first exploration period, the first of which will be paid within thirty (30) days of the Effective Date of this Contract. Thereafter, installment payments shall be made within thirty (30) days of each subsequent anniversary of the first exploration period.

19.3.2 The contribution of the Hydrocarbon Development Fund referred to in Article 19.3.1 will be recoverable and therefore, shall be considered as Petroleum Costs.

19.3.3 The Parties agree that all payments made under this Contract shall be made in accordance with protocols laid down by the Extractive Industries Transparency Initiative (EITI).



WTH



**ARTICLE 29
PERSONNEL AND TRAINING**

29.2. Upon commencement of the Petroleum Operations, the Contractor shall provide funding for Training Programmes and for that purpose the Contractor shall devote an annual Training Budget of:

(a) One Hundred Thousand United States Dollars (US\$100,000.00) during each year of the exploration period;

(b) Two Hundred Thousand United States Dollars (US\$200,000.00) during each year of the exploitation period.

Additionally, the Contractor shall make an annual contribution of Seventy-five Thousand United States Dollars (US\$75,000.00) to the University of Liberia for the enhancement of programmes in Geology, Mining Engineering and Environmental Studies.

29.3. Upon commencement of the Petroleum Operations, the Contractor shall provide funding for Social and Welfare programmes in Liberia and for that purpose the Contractor shall devote an annual Social and Welfare Budget of:

(a) One Hundred Fifty Thousand United States Dollars (US\$150,000.00) during each year of the exploration period;

(b) Two Hundred Fifty Thousand United States Dollars (US\$250,000.00) during each year of the exploitation period.

As provided in Article 19.3.3, all payments made under this Contract shall be made in accordance with protocols laid down by the Extractive Industries Transparency Initiative (EITI).

29.4. An escrow account shall be established by both Parties for the purposes of receiving money and paying for the programmes detailed in Articles 29.2 and 29.3 and they shall both be signatories to such account, except for the contribution to the University of Liberia which shall be paid by the Contractor through NOCAL to the institution.

The Training requirements shall be developed by both Parties with the understanding that NOCAL shall provide 70% of the training candidates and the Contractor shall provide 30% of the candidates.

The Training and Social and Welfare Programmes shall be mutually agreed by the Parties.

The Training and Social and Welfare expenses borne by the Contractor shall be included in recoverable Petroleum Costs. Funding for the Training and Social and Welfare Programmes

shall be paid within thirty (30) days of the Effective Date of the Contract. Thereafter, payments shall be made within thirty (30) days of each subsequent anniversary of the Contract.

- 29.5 The entry into Liberia of all foreign personnel shall be authorized and the STATE 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 regulation in force in Liberia.

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

- 29.6 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 matter relating to their employment conditions shall be determined by the Contractor or its contractors, subcontractors and agents.

ARTICLE 32a TERMINATION

- 32a.1 Termination by the Contractor. During the Exploration and Exploitation Periods, the Contractor may surrender, by not less than sixty (60) days notice to NOCAL, all of its rights and obligations hereunder in respect of all or any part of the Delimited Area, and the operator shall be relieved of all obligations to NOCAL in respect of the area so surrendered except those obligations arising out of or related to the surrender.
- 32a.2 Termination by NOCAL. Subject to the provisions of Article 31, NOCAL shall have the right to terminate this Agreement if any of the following events (hereinafter called "Events of Default") shall occur and be continuing:
- (a) Where the Contractor shall fail to make any of the payments described in this Contract on the due payment date, and such default is not cured within ninety (90) days after notice by NOCAL or within such longer periods as may be specified in said notice;
 - (b) Where the Contractor shall materially fail to comply with its work commitments and other conditions in this Contract and such failure is not cured within ninety (90) days after notice by NOCAL or within such longer period as may be specified in the notice.

- (c) Where the Contractor shall (i) voluntarily dissolve, liquidate or wind up its affairs, or make an assignment of all or substantially all of its assets for the benefit of creditors other than an assignment made to secure indebtedness incurred in the ordinary course of business; (ii) file a petition or application to any tribunal for the appointment of a trustee or receiver for all or any substantial part of the Contractor's assets; (iii) commence any proceedings for its bankruptcy, reorganization, arrangement, insolvency or readjustment of debt under the laws of any jurisdiction, whether now or hereafter in effect, or if any such petition or application is filed, or any such proceedings are commenced against it, shall indicate its approval thereof, consent thereto or acquiescence therein, or (iv) if any order is entered appointing any such trustee or receiver, or adjudicating the Contractor bankrupt or insolvent, or approving the petition in any such proceedings, and provided that the Contractor shall fail to take corrective measure (s) to have such order removed or lifted within sixty (60) days;
- (d) Where the Contractor shall fail to carry out Exploration as required by Article 4, or ceases Exploration for a period of twelve (12) consecutive months or cease Production with respect to all Production Areas for a period of twenty four (24) consecutive months, unless such failure or cessation is consented to by NOCAL or is caused by a state of *force majeure*.

- 32a.3 Opportunity to Cure. In the case of an alleged Event of Default described above, NOCAL, before taking any further action, shall provide Notice to the Contractor of the alleged occurrence of such Event of Default and of NOCAL's views in that regard and shall offer the Contractor a fair opportunity to consult with NOCAL to resolve the matter. If, after a reasonable period of time of consultation, NOCAL is of the reasonable opinion that the matter cannot be resolved by further consultation, NOCAL may then send to the Contractor Notice of NOCAL's intention to terminate this Contract. If the Event of Default is not cured within ninety (90) days after said Notice, or within such longer period as may be necessary to allow a reasonable period of time to effect such cure, then this Contract shall be terminated.
- 32a.4 Dispute Regarding Events of Default. Notwithstanding the provision of Articles 32a.2, if the Contractor disputes whether there has been an Event of Default described above and, within ninety (90) days after receipt by the Contractor of NOCAL's Notice of its intention to terminate this contract, refers such dispute to arbitration in accordance with Article 31, then the termination of this Contract shall not take effect until the finality of, and in accordance with, an arbitration award.

ARTICLE 35 STABILITY OF CONDITIONS

- 35.3 Periodic Review. In the event of changes in circumstances from those existing at the Effective Date, that have an adverse material effect on the terms of this Contract (Profound Changes in Circumstances), either NOCAL or the Contractor shall at the request of the other

consult together. If it is established that such Profound Changes in Circumstances have occurred, then the Parties shall effect such changes in or clarifications to this Contract that they agree are necessary. The Parties shall meet in good faith to make the necessary revisions and adjustments to the Contract in order to maintain such expected economic benefits to each of the Parties, provided that the economic benefits to the Parties shall not be reduced as a result of exercising the terms of this Article. For purposes of this Contract, the term "Profound Changes and Circumstances" shall mean such changes in the economic conditions of the petroleum industry world wide or in Liberia or such changes that result in such a material and fundamental alteration of the conditions and assumptions relied upon by the Parties at the Effective Date of this Contract (or the time after any subsequent review under this Article) to the effect that the overall balance of the equities and benefits reasonably anticipated by the Parties will no longer be achievable.

ARTICLE 37 EFFECTIVE DATE

The Effective Date of the Contract shall be the date on which all of the Parties have signed the Addendum and the Addendum is approved by the President of the Republic of Liberia, and notification to and receipt thereof by the Contractor.

GENERAL PROVISIONS

1. Except as specifically amended herein, all the remaining terms and conditions of the Contract shall remain in full force and effect. In the event of inconsistency between the Contract and the Addendum, the Addendum shall apply.
2. Capitalized terms used in this Addendum that are defined in the Contract and not otherwise defined herein shall have the respective meanings ascribed to them in the Contract.
3. This Addendum modifies the Contract and shall have effect from the date of signing by all of the Parties.



RTM


IN WITNESS WHEREOF, the Parties have signed this Addendum to the Contract on the date as set forth below.

On Behalf of NOCAL:



Dr. Fodeo Kromah
President/CEO of NOCAL

November 14, 2007
Date



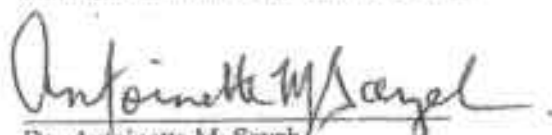
Hon. Clemenceau B. Ufey
Chairman of the Board, NOCAL

November 14, 2007
Date




Dr. Dugene H. Shanon
Minister of Lands, Mines & Energy, R.L.

November 14, 2007
Date



Dr. Antoinette M. Sayeh
Minister of Finance, R.L.

MARCH 1, 2008.
Date



Hon. Richard V. Tolbert
Chairman, National Investment Comm.

3/01/08
Date

On behalf of Repsol Exploracion S.A.



Marcos Mozetic Bidmar
Director Exploration

November 14, 2007
Date

Attested by:



Hon. Phillip A. Z. Banks, *U*
Counselor-at-Law &
Minister of Justice, R.L.

08-03-08

Date

Approved:



President, Republic of Liberia

11-03-08

Date