FIFTH AMENDMENT TO
PRODUCTION SHARING CONTRACT
(AREA A – OFFSHORE NE BIOCO)

This Fifth Amendment to Production Sharing Contract (this "**Amendment**") is made and entered into this 28 day of November, 1998 between **The Republic of Equatorial Guinea** (herein referred to as the "**State**"), represented for the purposes hereof by the **Ministry of Mines and Energy** (herein referred to as the "**Ministry**"), and **Ocean Equatorial Guinea Corporation**, a corporation organized and existing under the laws of the State of Delaware, U.S.A. (formerly known as UMC Equatorial Guinea Corporation, and referred to herein as "**Ocean**", represented for the purposes hereof by Jim Smitherman, III, its President.

Recitals

A. The State and United Meridian International Corporation entered into a Production Sharing Contract dated August 18, 1992 but having an Effective Date of September 10, 1992, covering the area described therein which is referred to as Area A - Offshore NE Bioco. Such Production Sharing Contract has been amended by a First Amendment to Production Sharing Contract dated September 17, 1993; by a Second Amendment to Production Sharing Contract dated March 1, 1994; by a Third Amendment to Production Sharing Contract dated June 29, 1994; and by a Fourth Amendment to Production Sharing Contract dated March 29, 1996. As amended, such Production Sharing Contract is herein referred to as the "Contract".

B. All of the interest of Contractor in the Contract is now owned and held by Ocean.

C. The State, represented by the Ministry, and Ocean have agreed that the Contract be amended for the benefit of the Parties as set forth in this document.

D. Words or phrases defined in the Contract and used in this Amendment have the meanings set forth in the Contract, and the section numbers stated hereinafter correspond to those in the Contract immediately prior to the effective date of this Amendment, in each case unless the context clearly indicates to the contrary.

Agreements

1. Section 1 of the Contract is amended in the following respects:

(a) Section 1.2(o) is amended by the addition, after the words "in Section 4", of the following words:

> and includes, where the context permits, the work program contained in a Project-Specific Work Program and Budget as referred to in Section 4.8.

(b) Section 1.2(z) is amended to read as follows:

> (z) Royalty means, for each Field, the right of the State over Crude Oil and Natural Gas produced, saved, sold and not utilized in Petroleum Operations in percentages calculated as a function of daily production rates as established in Section 7.2.1 of this Contract.

(c) Section 1.2(ad) is amended by deleting the reference to "Section 7.2" and replacing it with a reference to "Section 7.4.1".

(d) Section 1.2(am) is amended in its entirety to read as follows:

(am) Initial Exploration Period means the period of time commencing on the Effective Date of the Contract and ending at midnight local time, Malabo, Republic of Equatorial Guinea, on September 9, 2001, or such later date as such period may be extended to pursuant to Section 2.1(c).

(e) A new Section1.2(as) is added to this Contract reading as follows:

(as) Project-Specific Work Program and Budget shall have the meaning ascribed thereto in Section 4.8.

(f) A new Section 1.2(at) is added to the Contract reading as follows:

(at) Uplift shall have the meaning ascribed thereto in Section 7.3.3.

2. Section 2 of the Contract is amended in the following respects:

(a) The last sentence of Section 2.1(a) is amended to read as follows:

The Third Subperiod shall commence with the termination of the Second Subperiod and end on September 9, 2001 and shall be called the "Third Subperiod".

(b) The existing Section 2.5 of the Contract is renumbered as Section 2.5.1, and two (2) new Sections, designated as Section 2.5.2 and Section 2.5.3, are added as follows:

2.5.2 For the purposes of Section 2.5.1 any new discovery which

(a) is in pressure communication with any reservoir containing commercially produceable Hydrocarbons in the existing Field, or

(b) can reasonably and in accordance with good oil field practice be produced from common production and processing facilities in the existing Field, provided that the limits of any potential Field be within five (5) kilometers of such facilities, or

(c) is composed of reservoir of commercially produceable Hydrocarbons which under- or over-lie (when viewed from the vertical) any reservoir of commercially produceable Hydrocarbons in the existing Field,

will be considered part of the existing Field, and the boundaries of such Field will be adjusted accordingly. Subject to the terms of this Contract, all other discoveries will be considered new Fields.

2.5.3 Notwithstanding the provisions of Section 2.5.2, there shall not be established more than two (2) Fields in the Contract Area. Any commercial discovery made after two (2) Fields have been established will be treated as a part of one of the existing Fields, as Contractor may designate in accordance with good engineering practice and with the prior approval of the Ministry.

3. Section 4 of the Contract is amended in the following respects:

(a) The last sentence of Section 4.2 is amended by deleting the words "but the costs of such excess work shall, however, for the purposes of bank guarantee yearly adjustments provided for in Section 4.3, be credited to the Contract Year during which such costs were actually incurred".

(b) The following sentence is added at the end of Section 4.5:

Contractor shall not be limited in this regard, provided that Contractor shall obtain the approval of the Ministry before any such over-expenditures in excess of ten percent (10%) of the total amount of the applicable Work Program and Budget are included as Petroleum Operations Costs.

(c) There is added to the Contract a new Section 4.8 reading as follows:

4.8 Notwithstanding the foregoing provisions of Section 4, if the Contractor anticipates that a project, which may consist of work of any nature, will exceed twelve (12) months duration and the Contractor wishes to have such project approved in its entirety, then the Contractor must in respect of such project submit for approval to the Ministry a project-specific work program and budget of Petroleum Operations Costs (herein referred to as a "Project-Specific Work Program and Budget"). Approval of a Project-Specific Work Program and Budget shall be deemed a firm approval and will be unaffected by any rejection by the State of an annual Work Program and Budget of Petroleum Costs submitted by the Contractor, as provided in Section 4.4. The Contractor shall provide a report annually to the State on expenditures incurred in relation to any such project and will respond in writing to any written comments that the State makes to the Contractor in relation to such report. If in any Year Contractor has not performed at least fifty (50%) of the work scheduled in the Project-Specific Work Program and Budget, the matter will be reviewed with the Ministry and the project will be subject to suspension.

4. Section 7 of the Contract is amended in the following respects:

(a) Sections 7.2, 7.3, 7.4, 7.4.1, 7.4.2, 7.4.3 and 7.4.4 are deleted in their entirety and replaced with the following (provided that these deletions shall not affect the validity of any acts of the Parties pursuant to the deleted provisions while they were in force):

7.2 Royalty

7.2.1 Contractor shall pay to the State as Royalty in respect of each Field in the Contract Area a percentage of gross Hydrocarbons produced, saved and sold and not otherwise utilized in Petroleum Operations from such Field in each Calendar Quarter. Such percentage shall be based on the daily average quantity of such Hydrocarbons. As to the first ten (10) million

Barrels of cumulative oil production the Royalty shall be ten percent (10%). For all subsequent production the Royalty shall be determined in accordance with the following schedule:

Production Level	Royalty
0 - 20,000 Barrels per day	12%
20,001 - 40,000 Barrels per day	13%
40,001 - 60,000 Barrels per day	14%
60,001 - 100,000 Barrels per day	15%
Over 100,000 Barrels per day	16%

The above scale shall be applied separately to each Field on an incremental basis (*i.e.*, each of the first 20,000 Barrels of production per day shall bear a Royalty of 12%, each of the next 20,000 Barrels of production per day shall bear a Royalty of 13%, etc.).

7.2.2 Contractor shall make an estimate for each Field of the Royalty level for each Calendar Quarter, based on expected production rates, liftings and other relevant factors; and Royalty shall be payable in respect of each lifting of Hydrocarbons during the Calendar Quarter based on the estimated percentage for the Field from which such Hydrocarbons were produced times the gross sales proceeds of such lifting. As soon as practicable following the end of a Calendar Quarter the Parties shall determine the actual Royalty percentage which should have been applied for each Field during such Calendar Quarter, and any overpayment or underpayment shall be corrected by increasing or decreasing the amount of the next Royalty payment(s) to occur.

7.3 Cost Recovery

7.3.1 After making Royalty Payments to the State Contractor shall be entitled to recover all Petroleum Operations Costs, as determined in accordance with the Accounting Procedure attached hereto as Exhibit "C", applicable to each Field out of seventy-five percent (75%) of the remaining sales proceeds or other disposition of Hydrocarbons produced and saved hereunder from such Field and not used in Petroleum Operations.

7.3.2 All Petroleum Operations Costs incurred directly in respect of a Field, including the costs of drilling operations within the area of the Field prior to the time it is established in accordance with the terms of this Contract, will be allocated to such Field. Petroleum Operations Costs not incurred directly in respect of a Field shall be allocated, and as additional Fields are established may be reallocated, among all Fields on an equitable basis.

7.3.3 On the last day of each Calendar Year from and after the Effective Date all Petroleum Operations Costs incurred under this Contract but not yet recovered shall be multiplied by nineteen percent (19%), and the calculated amount (the "Uplift") shall be added to and become a part of the Petroleum Operations Costs which Contractor is entitled to recover hereunder.

7.4 Net Hydrocarbons

7.4.1 Any Hydrocarbons which are produced and saved hereunder and are not used in Petroleum Operations and are remaining after making the Royalty payments and after allowing Contractor to recover Petroleum Operations Costs out of the seventy-five percent (75%), as set forth above, shall be referred to herein as "Net Hydrocarbons". Net Hydrocarbons shall be shared between the State and Contractor based on cumulative production in accordance with the following table:

Cumulative Production (in millions of Barrels)	State's Share of Net Hydrocarbons	Contractor's Share of Net Hydrocarbons
0 - 25	10%	90%
+25 - 50	12%	88%
+50 - 150	15%	85%
+150 - 300	25%	75%
+300 - 400	40%	60%
+400	50%	50%

The foregoing percentages shall be applied separately to each Field based on cumulative production from such Field.

(b) Section 7.4.5 is amended by renumbering it to be Section 7.4.2 and by replacing the references therein to "Sections 7.4.1(c), 7.4.2(c) and 7.4.3(c)" with "Sections 7.2.1 and 7.4.1".

5. The first sentence of Section 8.6 is amended to read as follows:

During any Calendar Year the handling of production (i.e., the implementation of the provisions of Section 7) and the proceeds thereof shall be provisionally dealt with on the basis of the relevant Work Program and Budget of Petroleum Operations Costs and any relevant Project-Specific Work Program and Budget based upon estimates of quantities of Crude Oil to be produced, of internal consumption in The Republic of Equatorial Guinea, of Marketing possibilities, of prices and other sales conditions as well as of any other relevant factors.

6. Section 15 is deleted in its entirety and replaced with the following:

15.1 Any notices required or given by either Party to the other shall be deemed to have been delivered when properly acknowledged for receipt by the receiving Party. All such notices shall be addressed to:

The Ministry of Mines and Energy:
With Offices at: Malabo at the
Republic of Equatorial Guinea
Telephone #: (240) 93405
~~Telex #: 9395405 EG~~
Facsimile #: (2404) 93353

The Contractor: Ocean Equatorial Guinea Corporation
With Offices at: 1201 Louisiana, Suite1400
Houston, Texas 77002 U.S.A
Telephone #: (713) 420-1000
Facsimile # : (713) 420-1655

Either Party may substitute or change such address on written notice thereof to the other.

7. Exhibit "C" to the Original Contract, "Accounting Procedure", is amended in the following respects:

(a) In Section 2, paragraph 1, the reference to "Section 7.2" is deleted and replaced with "Section 7.3".

(b) In Section 2, the word "and" is deleted following paragraph 1(c), the word "and" is added following paragraph 1(d), and a new paragraph 1(e) is added reading "the Uplift".

(c) The first two sentences ~~of~~ Section 3, paragraph 1, are deleted and the following substituted:

> Depreciation will be calculated from the Calendar Year in which the asset is placed into service, with a full Year's depreciation allowed in the initial Calendar Year. Depreciation of capital costs only for purposes of Income Tax Calculations will be calculated over six (6) Calendar Years using the straight line method.

(d) Three (3) new paragraphs numbered 6, 7 and 8 are added to Section 3 reading as follows:

> 6. For Tax Law purposes losses which Contractor may incur in a Calendar Year may be carried forward to offset taxable income in subsequent Calendar Years until such losses have been completely utilized, provided that no such loss may be carried forward more than fifteen (15) Years.
>
> 7. All tax deductions associated with costs born by Contractor shall be allocated to the Contractor that bears such costs in the proportions actually borne, without

regard to whether such costs are recoverable Petroleum Operations Costs.

8. The Contractor will withhold income tax on personal income from residents and non-residents in the hydrocarbon sector as established in Decree Law Num 2/1997 and the Ministerial Order implementing such Decree Law.

8. Miscellaneous Provisions

(a) This Amendment is binding on the Parties, with effect from October 15, 1998, at such time as it has been duly signed and delivered and approved by a resolution of the Supreme Court of the Republic of Equatorial Guinea and ratified by the Head of State of the Republic of Equatorial Guinea so as to become effective as a law of the Republic of Equatorial Guinea.

(b) This Amendment is not to be annulled, amended or modified in any respect except by the mutual consent of the Parties.

(c) Except as amended by this Amendment, the Contract (including the four previous amendments thereto) remains in full force and effect.

IN WITNESS WHEREOF the Parties have signed this Amendment in six (6) originals, three (3) in the Spanish language and three (3) in the English language on the date first set forth above.

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

By: ______________________

Juan Olo Mba Nseng
Minister

REPUBLICA DE GUINEA ECUATORIAL MINISTERIO DE MINAS Y ENERGIA MINISTRO

OCEAN EQUATORIAL GUINEA CORPORATION

By: ______________________

Jim Smitherman, III
President

November 28, 1998

Side Letter to Amendment to
Production Sharing Contracts

Reference is made to the following:

A. Production Sharing Contract dated August 18, 1992, but having an Effective Date of September 10, 1992, covering the area described therein which is referred to as Area A – Offshore NE Bioco, as heretofore amended and as further amended this date by a Fifth Amendment to Production Sharing Contract;

B. Production Sharing Contract dated June 29, 1994, but having an Effective Date of November 30, 1995, covering the area described therein which is referred to as Area C – Offshore Bioco, as heretofore amended and as further amended this date by a Third Amendment to Production Sharing Contract; and

C. Production Sharing Contract dated April 5, 1995, but having an Effective Date of April 17, 1995, covering the area described therein which is referred to as Area D – Offshore Bioco, as heretofore amended and as further amended this date by a Second Amendment to Production Sharing Contract.

By this letter, which is supplemental to the above-mentioned Production Sharing Contracts, as amended (the "PSC's"), the State and Ocean Equatorial Guinea Corporation ("Ocean"), as a Contractor in each of Contracts, hereby ratify, confirm and agree as follows:

1. Ocean will compute the taxes based on its net income on a country-wide basis, and will be subject to taxation in accordance with the Tax Law (as defined in the PSC's), as modified by the terms of the PSC's and this letter. It is the intent of the Parties that such obligations will not be changed by subsequent modifications of the Tax Law, including new or revised interpretations of its meaning, unless mutually agreed by the parties.

2. Until such time as production of Crude Oil commences on any of Blocks A, C or D the minimum income tax ("Minimum Tax") payable by Ocean in respect of any Calendar Year will be limited to a maximum amount equal to the CFA equivalent of U.S. $50,000. After production of crude oil

commences on any of said Blocks the Minimum Tax payable by Ocean in respect of any Calendar Year will be increased to a maximum amount equal to the CFA equivalent of U.S. $100,000. All amounts paid by Ocean as Minimum Tax shall be applied as an offset against such Ocean's future income tax liability in Equatorial Guinea. For each of the first five (5) Calendar Years in which Ocean has a positive income tax liability in Equatorial Guinea the amount of Minimum Tax payments which may be offset against income tax shall be limited to one-half (½) of Ocean's total income tax liability for the applicable Calendar Year. Thereafter, any remaining balance of Minimum Tax payments may be offset against all of Ocean's income tax liability for each Calendar Year.

3. Neither contractors nor subcontractors of Ocean shall have any obligation to pay Impuesto Sobre Cifra de Negocio Interior, or any other tax imposed on transactions that may be adopted in the future that would otherwise be imposed on transactions, which relate directly or indirectly to the conduct of petroleum operations.

4. Disputes arising among the Parties shall be resolved using the arbitration and choice of law provisions in Sections 13 and 16 of the PSC's.

Executed on the date first set forth above.

THE MINISTRY OF MINES AND
ENERGYOF THE REPUBLIC OF
EQUATORIAL GUINEA

By: ______________________
Juan Olo Mba Nseng
Minister

OCEAN EQUATORIAL GUINEA
CORPORATION

By: ______________________
Jim Smitherman, III
President