

# **PRODUCTION SHARING AGREEMENT**

**FOR**

**BLOCK L**

**BRUNEI DARUSSALAM**

Between

**Brunei National Petroleum Company Sendirian Berhad**

and

**Loon Brunei Limited**

and

**QAF Brunei Sendirian Berhad**

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**ANNEX A – Agreement Area**

**ANNEX B – Accounting Procedures**

**ANNEX C - Minimum Expenditure Obligation Breakdown**

**ANNEX D – PCG**

**ANNEX E - Guarantee**

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This Agreement is made on the 28<sup>th</sup> day of August 2006 between

- (1) **BRUNEI NATIONAL PETROLEUM COMPANY SENDIRIAN BERHAD**, a company incorporated under the Companies Act (Cap 39) having its registered address at Unit 2.02, 2nd Floor, Block D, Yayasan Sultan Haji Hassanal Bolkiah Complex, Jalan Pretty, Bandar Seri Begawan, Brunei Darussalam ("**PetroleumBRUNEI**" an expression which shall include its successors and assigns);

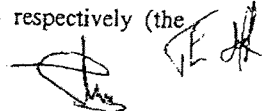
AND

- (2) **LOON BRUNEI LIMITED**, a company incorporated under the laws of Cyprus, with its registered office at 27 Pindarou Street, Alpha Business Centre, 1060 Nicosia, Cyprus; and
- (3) **QAF BRUNEI SDN BHD**, a company incorporated under the Companies Act (Cap. 39), having its registered office at QAF Centre, Lot 66 Tapak Perindustrian Beribi B.S.B. BE1118, Brunei Darussalam,

(together, the "**Contractor Parties**", an expression which shall include their respective successors and assigns).

**RECITALS:**

- A PetroleumBRUNEI wishes to ensure the sustainable exploitation of its non-renewable mineral resources in a prudent and environmentally sound manner in accordance with accepted international standards.
- B The area described in Annex A is State Land as defined in the Petroleum Mining Act (Cap. 44);
- C Under section 2A of the Petroleum Mining Act (Cap. 44), the entire ownership of any petroleum extracted from any State Land shall vest in the holder of mineral rights unless otherwise expressly provided in any petroleum mining agreement;
- D Under section 3(1) of the Brunei National Petroleum Company Sendirian Berhad Order, 2002, His Majesty the Sultan and Yang Di-Pertuan in Council granted to PetroleumBRUNEI all mineral rights within such area of State Land as His Majesty the Sultan and Yang Di-Pertuan in Council may from time to time allocate;
- E By Notices on the granting of mineral rights by His Majesty the Sultan and Yang Di-Pertuan in Council dated 27th June 2002 and 9th August 2004 respectively (the



"Notices"), PetroleumBRUNEI was granted all mineral rights within the areas described in the Notices and known as Block L and Block M;

F PetroleumBRUNEI wishes that exploration for and development of Petroleum be undertaken in the Agreement Area.

G The Contractor has the technical competence, financial ability and professional skills necessary to explore for, appraise, develop, produce and market Petroleum and desires enter into this Agreement with PetroleumBRUNEI and to conduct Petroleum Operations in the Agreement Area pursuant to its terms and Applicable Law; and

H The Parties hereto have agreed that the Contractor shall have the exclusive right to carry out all Petroleum Operations in the Agreement Area pursuant to this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

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**ARTICLE 1**

**DEFINITIONS AND INTERPRETATION**

Article 1.1 In this Agreement the following expressions (except where the context otherwise requires) have the following meanings:

"**Abandonment Fund**" has the meaning attributed to it in Article 27.6(a);

"**Abandonment Plan**" has the meaning attributed to it in Article 27.5(b);

"**Accounting Procedures**" means the accounting procedures set out in Annex B;

"**Adjusted JCC**" shall mean the JCC, denominated in dollars per barrel according to the following formula:

$$\text{Adjusted JCC} = (\text{JCC} \times 0.158987) / R$$

Where R = the 3 month arithmetic average of the Rate, determined in accordance with the following formula:

$$R = V / N$$

V = the sum of all daily Rates for the three months preceding the Valuation Date (including such Valuation Date itself, but excluding the preceding Valuation Date);

N = the number of days for which a Rate was obtained

"**Affiliate**" means when used with respect to any Person, another Person that directly or indirectly:

- (a) Controls that Person; or
- (b) is Controlled by that Person; and
- (c) is under common Control with that Person,

For the avoidance of doubt, a reference to an Affiliate of the Contractor shall be deemed to include a reference to an Affiliate of any Contractor Party;

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"**Agreement**" means this production sharing agreement, together with all Annexes and Exhibits attached thereto, and any extension, renewal or amendment hereof agreed to in writing by the Parties;

"**Agreement Area**" mean the area described in Annex A, as reduced or modified from time to time pursuant to Article 4.1, Article 4.2, Article 4.4, Article 4.5, Article 4.6 and Article 4.7 [ Annex A is to contain a Point File];

"**Agreement Year**" means one (1) year commencing on the Commencement Date or any anniversary of the Commencement Date;

"**Allocable Production**" means Total Production less Royalty Oil and Royalty Gas;

"**Applicable Law**" means the laws and regulations in force in Brunei Darussalam from time to time;

"**Appraisal Costs**" means all costs and expenses that are incurred by the Operator on behalf of the Contractor for the purposes of appraising a Petroleum Field pursuant to an Approved Appraisal Plan;

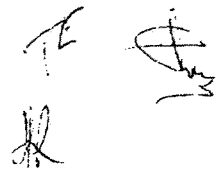
"**Appraisal Plan**" means a plan of Petroleum Operations and a corresponding estimate of costs and expenses that the Contractor prepares and submits for written approval to PetroleumBRUNEI in accordance with Article 10.5;

"**Appraisal Report**" means a written report of the works carried out pursuant to an approved Appraisal Plan;

"**Appraisal Well**" means a well classified as such in an Appraisal Plan and drilled for the purpose of delineating a discovered Petroleum Field in terms of its thickness and lateral extent and in order to further define the quantity of recoverable Petroleum therein;

"**Approved Appraisal Plan**" means an Appraisal Plan approved in writing by PetroleumBRUNEI in accordance with Article 10.5 and any amendments thereto;

"**Approved Budget**" means a Budget approved in writing by PetroleumBRUNEI in accordance with Article 9.5 and any amendments thereto;

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"**Approved Development Plan**" means a Development Plan approved in writing by PetroleumBRUNEI in accordance with Article 10.8 and any amendments thereto;

"**Approved Gas Marketing Plan**" means a Gas Marketing Plan approved in writing by PetroleumBRUNEI in accordance with Article 10.4 and any amendments thereto;

"**Approved Work Programme**" means a Work Programme approved in writing by PetroleumBRUNEI in accordance with Article 9.5 and any amendments thereto;

"**Arm's Length Market Value**" in respect of Crude Oil, means "Market Value" as set out in Article 15.2 and, in respect of Natural Gas, means "Market Value" as set out in Article 14.4;

"**Arm's Length Sale**" has the meaning attributed to it in Article 15.3;

"**Associated Gas**" means Natural Gas, commonly known as gas-cap gas, which is in contact with significant quantities of Crude Oil in a natural underground reservoir or which is in solution in Crude Oil in a natural underground reservoir but shall exclude any Crude Oil extracted from such gas;

"**Barrel**" means a unit of volume equal to 42 U.S. gallons, liquid measure, at or corrected to an absolute pressure of fourteen decimal point six nine six (14.696) pounds per square inch and a temperature of sixty degrees Fahrenheit (60°F);

"**Basement**" means igneous rocks, metamorphic rocks or rocks of a nature that could not contain Petroleum or formations below which it would be reasonable to conclude, applying knowledge generally accepted in the international petroleum industry, that Petroleum could not be expected to exist and shall also include impenetrable rock substances such as salt domes and mud domes;

"**Brunei Dollar**" means an official currency unit of Brunei Darussalam;

"**Brunei National**" means a natural person who is a citizen of Brunei Darussalam or a company or other legal entity which is incorporated or

constituted pursuant to Applicable Law and which is majority owned by another Brunei National;

"**Btu**" means a British thermal unit being a unit of energy equal to the amount of heat needed to raise the temperature of one (1) pound of pure water from fifty-nine degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F) at or corrected to an absolute pressure of fourteen decimal point six nine six (14.696) pounds per square inch;

"**Budget**" means an estimate of costs and expenses of Petroleum Operations, that the Contractor prepares and submits to PetroleumBRUNEI for written approval together with the corresponding Work Programme in accordance with Article 9.1;

"**Calendar Quarter**" means three (3) consecutive calendar months beginning on any of 1 January, 1 April, 1 July or 1 October according to the Gregorian calendar;

"**Calendar Year**" means one (1) year beginning on 1 January and ending on 31 December according to the Gregorian calendar;

"**Capital Costs**" means the aggregate of Development Costs, Exploration Costs and Appraisal Costs;

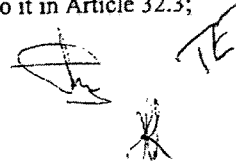
"**Change of Control**" means an event where any single person or group of persons acting in concert acquires direct or indirect control of the relevant company or any interest (either legal or beneficial) in the relevant issued share capital as a result of which that person or group of persons have a direct or indirect interest in more than fifty (50) per cent. of the relevant share capital in the company;

"**Coal Bed Methane**" means methane produced from coal beds or lignite;

"**Commencement Date**" means the date of this Agreement;

"**Commerciality Date**" means the date on which PetroleumBRUNEI approves, or is deemed to have approved, a Development Plan in accordance with Article 10.8;

"**Confidential Information**" has the meaning attributed to it in Article 32.3;

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"**Contract Date**" means the date of this Agreement;

"**Contractor**" means the Investor Parties acting together, but shall exclude PetroleumBRUNEI wherever such expression refers to obligations imposed on, or liabilities incurred by, the Contractor after the Participation Completion Date, save to the extent that such obligations and/or liabilities are specifically expressed to be those of the PB Holder pursuant to Article 24 hereof and/or any provision of the Joint Operating Agreement, following execution of a deed of adherence thereto by PetroleumBRUNEI;

"**Contractor's Entitlement**" means the aggregate volumes of Cost Oil and/or Cost Gas and the share of Profit Oil and/or Profit Gas allocated to the Contractor;

"**Control**" means the power, directly or indirectly, to direct or cause the direction of the management and policies of a person, whether through ownership of such person's voting securities, by contract or otherwise, and the terms "**affiliated**", "**controlling**" and "**controlled**" have correlative meanings.

"**Controlling Interest**" means, in relation to a Special Purpose Company:

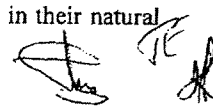
- (a) voting stock equal to more than fifty (50) per cent. of that Special Purpose Company's voting stock; and/or
- (b) Control of, either alone or pursuant to an agreement with other shareholders or members, a majority of the voting rights in that Special Purpose Company;

"**Cost Gas**" means such part of Allocable Production of Natural Gas determined pursuant to Article 12.7 as being allocated to the Contractor for the purpose of recovery of Costs out of the Cost Pool;

"**Cost Oil**" means such part of Allocable Production of Crude Oil determined pursuant to Article 12.3 as being allocated to the Contractor for the purpose of recovery of Costs out of the Cost Pool;

"**Costs**" means the aggregate of Operating Costs and Capital Costs;

"**Crude Oil**" means crude mineral oil, asphalt, Ozokerite, and all kinds of hydrocarbons and bitumens, both in solid and in liquid form in their natural



state or obtained from Natural Gas by condensation or extraction including propane and butane fractions, before the same has been refined or otherwise treated but excluding water and artificial substances as well as coal or bituminous shales or other stratified deposits from which Crude Oil can be extracted by destructive distillation. Crude Oil shall include any casinghead petroleum spirit and condensate;

**"Crude Oil Quarterly Revenue"** means, in relation to any Calendar Quarter, a US Dollar amount equal to the application of the Market Value to the entire Crude Oil production marketed in that period;

**"Cubic Foot"** means a volume of vapour saturated Natural Gas that occupies one (1) cubic foot at or adjusted to an absolute pressure of fourteen decimal point six nine six (14.696) pounds per square inch and a temperature of sixty degrees Fahrenheit (60°F);

**"Data"** means all data and information generated by Petroleum Operations (whether raw, processed or interpreted);

**"Delivery Point"** means the following point(s) within the jurisdiction of Brunei Darussalam, specified in the relevant Approved Development Plan, where the Parties shall separately lift and take their respective shares of Allocable Production:

- (a) in the case of Crude Oil, this shall be the outlet flange of the loading arm after the final sales meter at the export loading facility;
- (b) in the case of Natural Gas, this shall be the point at which it reaches the outlet flange of the delivery facility;
- (c) such other point(s) as may be mutually agreed by the Parties;

**"Development Costs"** means all costs and expenses incurred by the Operator on behalf of the Contractor for the purposes of Development Operations pursuant to Approved Development Plans and/or the Abandonment Plan;

**"Development and Production Field"** means a Petroleum Field for which there is an Approved Development Plan;

**"Development and Production Period"** means that period of time referred to in Article 3.6;

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**"Development Operations"** or **"Development"** means the engineering, planning, design, construction and installation of facilities for the Production of Petroleum and includes purchase of materials and equipment, drilling of Development Wells, construction and installation of equipment, lines, facilities, plants and systems in and outside the Agreement Area during the Development and Production Period, which are required for Production, treatment, waste disposal, transport, storage and lifting of Petroleum and for recycling and other secondary and tertiary recovery projects.

**"Development Plan"** means a plan of Development Operations and a corresponding estimate of costs and expenses that the Contractor prepares and submits for the approval of PetroleumBRUNEI in accordance with Article 10.8;

**"Development Well"** means a Well drilled, deepened or completed after the date of approval of the Development Plan pursuant to Development Operations or Production Operations for the purposes of producing Petroleum, increasing production, sustaining production or accelerating extraction of Petroleum including production Wells, injection Wells and dry Wells;

**"Entitlement"** means the aggregate of the Contractor's Entitlement and PetroleumBRUNEI's Entitlement;

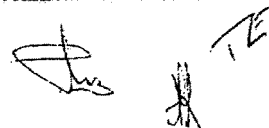
**"Event of Force Majeure"** has the meaning given to that term in Article 29.1

**"Excess Revenue Payment"** has the meaning attributed to it in Article 12.5 and Article 12.9;

**"Expert"** means an expert referred to in Article 30;

**"Exploration Costs"** means all costs and expenses that are incurred by the Operator on behalf of the Contractor for the purposes of Exploration Operations pursuant to Approved Work Programmes and Approved Budgets;

**"Exploration"** or **"Exploration Operations"** means the search for Petroleum during the Exploration Period by geological, geophysical and other methods and the drilling of Exploration Wells and includes any relevant processing work, including appraisal operations and other technical or economic

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feasibility studies that may be carried out to determine if a Petroleum Field is commercial;

**"Exploration Period"** means the period of time referred to in Article 3.3;

**"Exploration Well"** means in relation to the Agreement Area, a well provided for as such in an Approved Work Programme and Approved Budget and located on an unproven prospect in search of a new and as yet undiscovered Petroleum Field or with the expectation of proving a new accumulation on trend with an existing Petroleum Field or located in a prospect which at the time of drilling is considered by the Parties to be structurally or stratigraphically separate from any geological feature previously drilled;

**"First Commercial Production Date"** means, in relation to any Development and Production Field:

- (a) in respect of Crude Oil, the date by which the production of Crude Oil has continued for a period of twenty-four (24) hours following completion of testing (including any extended well testing) from the first Development Well; and
- (b) in respect of Natural Gas, (i) any date within the first sixty (60) days after the Natural Gas was first delivered, on which date cumulative deliveries of Natural Gas have reached 106 Giga Joules, or (ii) the sixtieth (60th) day after the Natural Gas was first delivered (or would have been delivered but for the exercise of take-or-pay rights), if the cumulative deliveries of Natural Gas within such sixty (60) day period do not exceed 106 Giga Joules;

**"F.O.B"** has the meaning attributed to that expression in the most recent edition of Incoterms;

**"Gas Holding Area"** means an area that the Contractor has demonstrated to PetroleumBRUNEI's reasonable satisfaction contains only those geological structures constituting a Petroleum Field containing significant accumulations of Natural Gas (and insignificant or no accumulations of Crude Oil), as delineated in an Approved Gas Marketing Plan;

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"**Gas Holding Period**" means a period of eight (8) years (or such longer period as may be agreed by PetroleumBRUNEI) from the date of approval of a Gas Marketing Plan pursuant to Article 10.4;

"**Gas Marketing Plan**" means a proposed plan for the marketing of Natural Gas submitted by the Contractor to PetroleumBRUNEI pursuant to Article 10.3(b)(ii);

"**Giga Joule**" means one billion (1,000,000,000) Joules;

"**Good Oilfield Practice**" means those practices, methods, standards, and procedures generally accepted and followed by prudent, diligent, skilled and experienced operators in international petroleum exploration, development and production operations and which, at the particular time in question, in the exercise of reasonable judgment and in light of facts known at the time a decision was made, would be expected to accomplish the desired results and goals;

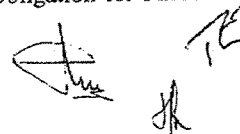
"**Goods and Services**" means equipment, facilities, goods, materials, supplies and services required for Petroleum Operations;

"**Government**" means the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam;

"**Gross Negligence/Wilful Misconduct**" means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity;

"**Guarantee**" means a bank guarantee issued by a bank incorporated or licensed in Brunei Darussalam payable on demand and guaranteeing a part of the Minimum Expenditure Obligation equal to the Percentage Interest held by the Contractor Party on whose behalf it is issued;

"**Guarantee Amount**" means an amount expressed in USD equal to one-third (1/3) of the Contractor's total Minimum Expenditure Obligation for Phase 1 and, if applicable, for Phase 2;

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**"Insolvency Event"** means a person taking any action or any legal proceedings are started or other steps taken (including the presentation of a petition) for:

- (a) a Contractor Party to be adjudicated or found insolvent; or
- (b) the winding up or dissolution of a Contractor Party (other than in connection with a solvent reconstruction); or
- (c) the appointment of a trustee, receiver, administrative receiver or similar officer in respect of any Contractor Party or any of its assets;

**"Investor Parties"** means the Contractor Parties together with, after the Participation Completion Date, PetroleumBRUNEI in its capacity as holder of the PB Interest and shall include their successors and permitted assigns;

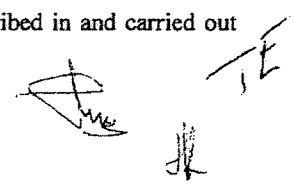
**"JCC"** shall mean Japanese Crude-Oil Cocktail, as announced by the Japanese Ministry of Finance (on the URL <http://www.mof.go.jp>), denominated in yen per kilo-litre on or about the twentieth (20<sup>th</sup>) day of the month succeeding a calendar month, and whose value shall be computed on each Valuation Date by taking the arithmetic average of the announced price for the preceding three months to the calendar month for which the value is required.

**"Joint Appraisal Agreement"** means an agreement between the Investor Parties and a Third Party Contractor which sets out inter alia their agreed rights and obligations in respect of a Joint Appraisal Plan;

**"Joint Appraisal Documents"** means a Joint Appraisal Plan and a Joint Appraisal Agreement;

**"Joint Appraisal Plan"** means a plan prepared in accordance with the requirements of Article 10.5 to appraise on a unitised basis a Petroleum Field located partly within the Agreement Area and partly in another agreement area in Brunei Darussalam held by a Third Party Contractor, prepared by the Contractor and said Third Party Contractor;

**"Joint Appraisal Report"** means a written report, in form and substance acceptable to PetroleumBRUNEI, of the works described in and carried out



pursuant to a Joint Appraisal Plan to be prepared by the Contractor in accordance with Article 11.1(c);

"**Joint Development Plan**" means a plan prepared in accordance with the requirements of Article 10.7 to develop on a unitised basis a Petroleum Field located partly within the Agreement Area and partly in another agreement area in Brunei Darussalam held by a Third Party Contractor, prepared by the Contractor and said Third Party Contractor;

"**Joint Development Documents**" means a Joint Development Plan and a Unitisation Agreement;

"**Joint Management Committee**" means the committee established pursuant to Article 6;

"**Joint Operating Agreement**" means an agreement to be entered into between the Investor Parties governing the conduct of Petroleum Operations, as the same may be amended from time to time;

"**Joint Venture Account**" has the meaning attributed to it in Article 22.4;

"**Joule**" means a unit of energy equal to the work done when the point of application of a force of one newton is displaced one meter in the direction of the force;

"**LIBOR**" means the London Interbank Offered Rate for the USD for three hundred and sixty (360) days as published by the British Bankers Association on the TELERATE screen (now on p.3750 LIBO) at or about 11.00 a.m. (London time) on the relevant date;

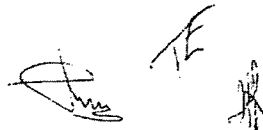
"**Market Price**" has the meaning attributed to it in Article 15.3(b);

"**Market Value**" has the meaning attributed to it in Article 14.4 (for Natural Gas) or Article 15.2 (for Crude Oil);

"**Material Contract**" means a contract for the supply of Goods and Services with a value in excess of one million U.S. Dollars (USD 1,000,000);

"**Minimum Commitment Date**" means the date on which

(a) this Agreement terminates;

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- (b) the entire Agreement Area is relinquished; or
- (c) the Phase 2 of the Second Exploration Period comes to an end;

whichever occurs first;

**"Minimum Expenditure Obligation"** means the aggregate of the Contractor's expenditure commitments referred to in Article 8.1(b) and Article 8.2(b) (though 8.2(b) shall only be applicable if the Contractor should notify PetroleumBRUNEI of its intention to commence Exploration Operations under Phase 2, pursuant to Article 4.1(a), and in any instrument setting out the terms applicable to a Retained Exploration Area in relation to Petroleum Operations;

**"Minimum Work Obligation"** means the aggregate of the Contractor's work commitments referred to in Article 8.1(a) and Article 8.2(a) (or in any instrument setting out the terms applicable to a Retained Exploration Area);

**"MMBtu"** means one million (1,000,000) Btu;

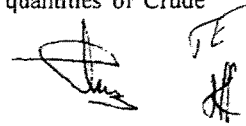
**"Natural Gas"** means a mixture of hydrocarbons and varying quantities of non-hydrocarbons mainly composed of methane that exist either in a gaseous state or in solution with Crude Oil in a natural underground reservoir but does not include Coal Bed Methane. Natural Gas may be classified as either Associated Gas or Non-Associated Gas;

**"Natural Gas Cost Pool"** means, for any Calendar Quarter, an amount equal to the Market Value of sixty per cent (60%) of the Allocable Production of Natural Gas for such Calendar Quarter;

**"Natural Gas Quarterly Revenue"** means, in relation to any Calendar Quarter, a US Dollar amount equal to the application of the Market Value to the entire Natural Gas production marketed in that period;

**"Non-Arm's Length Sale"** has the meaning attributed to it in Article 15.3(c);

**"Non-Associated Gas"** means Natural Gas that is found in a natural underground reservoir that does not contain significant quantities of Crude Oil;

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"**Non-Recoverable Costs**" means all Costs referred to as Non-Recoverable Costs in Section 8.1 of the Accounting Procedures or elsewhere in this Agreement;

"**Oil Cost Pool**" means for any Calendar Quarter an amount equal to the Market Value of sixty per cent (60%) of the Allocable Production of Crude Oil for such Calendar Quarter;

"**Operating Costs**" means all costs and expenses (other than Exploration Costs, Appraisal Costs or Development Costs) incurred by the Operator on behalf of the Contractor for the purposes of the Petroleum Operations, pursuant to Approved Work Programmes, Approved Budgets, Approved Development Plans and/or the Abandonment Plan after the First Commercial Production Date, including:

- (a) operating, servicing, maintaining and repairing Development Wells and all field facilities completed during Development;
- (b) planning, producing, controlling, measuring and testing the flow of Petroleum and collecting, gathering, testing, storing and transferring the Petroleum from the Petroleum Field to the Delivery Point; and
- (c) general and administrative expenses directly related to the activities described in (a) and (b) above.

"**Operator**" means the entity appointed pursuant to Article 7.2 to conduct and direct Petroleum Operations on behalf of the Contractor;

"**Participation Completion Date**" has the meaning attributed to it in Article 24.4;

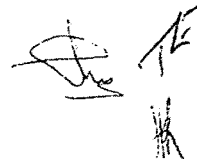
"**Participation Notice**" has the meaning attributed to it in Article 24.3;

"**Party**" means either the Contractor or PetroleumBRUNEI;

"**PB Holder**" has the meaning given to that term in Article 24.3(c);

"**PB Interest**" has the meaning attributed to it in Article 24.1;

"**PCC**" means a Parent Company Guarantee substantially in the form, and on the terms, provided in Annex D;

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"**Percentage Interest**" means for each Contractor Party, the undivided percentage interest held by it from time to time in the rights, duties and obligations of the Contractor under this Agreement;

"**Petroleum**" means Crude Oil and Natural Gas;

"**Petroleum Account**" has the meaning attributed to it in Article 22.3;

"**PetroleumBRUNEI's Entitlement**" means the aggregate volumes of Royalty Oil, and/or Royalty Gas and the share of Profit Oil and/or Profit Gas allocated to PetroleumBRUNEI (other than in its capacity as a Contractor Party);

"**PetroleumBRUNEI's Participation Percentage**" has the meaning attributed to it in Article 24.3(b);

"**Petroleum Field**" means a geological feature (containing one or more accumulations of Petroleum) all or part of which is within or potentially within the Agreement Area, whether discovered by drilling pursuant to this Agreement or otherwise;

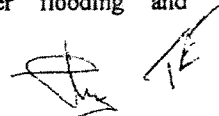
"**Petroleum Operations**" means Exploration Operations, Development Operations and Production Operations;

"**Phase 1**" means the period described as such in Article 3.3(a);

"**Phase 2**" means the period described as such in Article 3.3(b);

"**Plans**" means any Approved Work Programmes, Approved Budgets, Approved Gas Marketing Plans, Approved Appraisal Plans, Approved Development Plans, Abandonment Plan and/or Gas Marketing Plan applicable from time to time;

"**Production**" or "**Production Operations**" means all activities other than Development Operations performed in Brunei Darussalam during the Development and Production Period for the ongoing and continuous production, treatment, transport, storage and lifting of Petroleum and its by-products and includes all works and activities connected therewith, including enhanced recovery operations such as recycling, recompression, pressure maintenance, treatment of discharged water, water flooding and abandonment.



**"Profit Gas"** means Allocable Production of Natural Gas less Cost Gas, as described in Article 12.6;

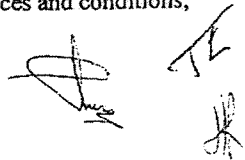
**"Profit Oil"** means Allocable Production of Crude Oil less Cost Oil, as described in Article 12.2 ;

**"Project Assets"** means any facilities, land, buildings, installations and other assets together with equipment, machinery, tools, supplies, materials, consumables and any other goods of similar nature (excluding any Petroleum any by-products of Petroleum Operations) acquired (through purchase, lease or otherwise) and held for use in Petroleum Operations;

**"Projects"** means projects for the development and production of natural gas from petroleum fields in south east Asia, in which international energy companies are equity investors and from which such companies sell natural gas into local or international markets;

**"Rate"** means, at any time, the USD/YEN exchange rate in the Spot Market at that time (expressed as a number of Japanese Yen per United States Dollar (USD 1.00)) as displayed on Bloomberg page "Japanese Yen Spot". If such rate does not appear on Bloomberg page "Japanese Yen Spot", then the period in which such rate does not appear on Bloomberg page "Japanese Yen Spot" will be deemed not to be a relevant period for the purposes of determining the Rate, provided that, if through the operation of this provision there would not be such a rate at 3.00 p.m., Tokyo time, then PetroleumBRUNEI will request the principal Euro-zone offices of each of the Reference Banks to provide a quotation of its rate at which it will buy Yen in USD at such time on such date. If at least two quotations are provided, the rate will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted by major banks in the Euro-zone at approximately 3.00 p.m., Tokyo time, on that date for purchases of Yen in USD;

**"Reasonable and Prudent Operator"** means an operator conducting itself in a proper and workmanlike manner in accordance with methods and practices customarily used in Good Oilfield Practice and with that degree of diligence and prudence reasonably and ordinarily exercised by experienced operators engaged in a similar activity under similar circumstances and conditions;

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"**Recoverable Costs**" means all Costs other than Non-Recoverable Costs and shall include those referred to as Recoverable Costs in Sections 5, 6, 10 and 11 of the Accounting Procedures or elsewhere in this Agreement;

"**Reference Banks**" means five major banks selected by PetroleumBRUNEI in the Euro-zone interbank market (or, if appropriate, money, swap or over-the-counter index option market);

"**Reference Crude Oil**" shall mean Tapis or, if its price shall cease to be published in the Reference Indices or if it is no longer sold in sufficient quantities for its price to adequately reflect market conditions, the Parties shall agree upon a freely and internationally traded blend of Crude Oil, having similar characteristics and quality, which shall be used to calculate the Reference Price. In default of agreement, such replacement Crude Oil shall be determined by the Expert pursuant to Article 30;

"**Reference Indices**" means one of Platt's Oilgram Report, Reuters or Asian Petroleum Price Index;

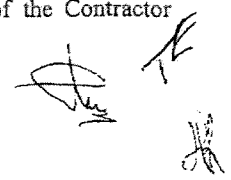
"**Reference Price**" means, in relation to any date, the price on such date or the arithmetic average of the prices relating to the period during which such date falls, of the Reference Crude Oil, as published in Reference Indices;

"**Retained Exploration Area**" means such areas within the Agreement Area as the Parties shall have agreed in writing prior to the end of the Exploration Period that the Contractor may retain notwithstanding the expiry of the Exploration Period (such agreement not to be unreasonably withheld by any Party);

"**Royalty Gas**" means the volume of Natural Gas expressed in Cubic Feet that is twelve and one half (12.5) per cent. of Total Production of Natural Gas;

"**Royalty Oil**" means the volume of Crude Oil in Barrels that is twelve and one half (12.5) per cent. of Total Production of Crude Oil;

"**Service Contractor**" means any person, firm, corporation or other entity entering into a service contract with either the Contractor or actual or ostensibly authorised representatives of the Contractor for the express purpose of undertaking, performing and satisfying an obligation of the Contractor

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under this Agreement and shall also include any person, firm, corporation or other entity who subcontracts to furnish said services;

**"Shortage Event"** means a national shortage of Crude Oil in Brunei Darussalam, such that Brunei Darussalam is (or would be but for this provision and provisions to similar effect in other upstream arrangements in Brunei Darussalam) required to import Crude Oil in order to supply its domestic refining requirements;

**"Site Restoration"** means all activities required to return a site to its state as of the Contract Date as described in the environmental impact study performed by the Contractor pursuant to Article 27.2 and approved by PetroleumBRUNEI or to render a site compatible with its intended after-use (to the extent reasonable) after cessation of Petroleum Operations in relation thereto and shall include, where appropriate, proper abandonment of wells or other facilities, removal of equipment, structures and debris, establishment of compatible contours and drainage, replacement of top soil, re-vegetation, slope stabilisation, in-filling of excavations or any other appropriate actions in the circumstances;

**"Special Purpose Company"** means a company whose primary purpose is to carry out the Petroleum Operations as a Contractor Party to this Agreement;

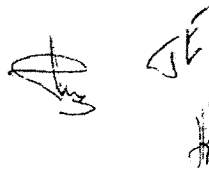
**"Spot Market"** means the global spot foreign exchange market which, for these purposes, shall be treated as being open continuously from 5.00 a.m., Sydney time, on a Monday in any week to 5.00 p.m., New York time, on the Friday of that week;

**"Standard Terms"** has the meaning attributed to it in Article 15.3(d);

**"Target Formation"** means geological formation identified as the primary objective for an Exploration Well, as specified in the relevant Approved Work Programme;

**"Target Production Date"** means the later of:

- (a) the date which is the sixth (6<sup>th</sup>) anniversary of the Commerciality Date (in the case of Crude Oil) or the eighth (8<sup>th</sup>) anniversary of the Commerciality Date (in the case of Natural Gas);

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(b) the date specified as the Target Production Date in the relevant Development Plan;

or such other date as agreed by PetroleumBRUNEI and Contractor;

"**Taxes**" means all taxes, duties or other fiscal payments, assessments, fees and charges (other than those expressly provided for in this Agreement) payable to PetroleumBRUNEI, the Government, or any Government agency pursuant to Applicable Law;

"**Tcf**" means one trillion Cubic Feet;

"**Term**" means the term of this Agreement as described in Article 3.1;

"**Third Party**" means in relation to any Party any individual, partnership, association or body corporate other than any Affiliate of that Party;

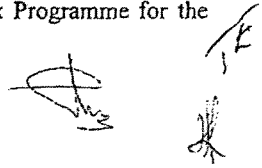
"**Third Party Contractor**" means the party or parties having the right to explore for, develop and produce Petroleum in a contract area in Brunei Darussalam other than the Agreement Area;

"**Total Production**" means the total volumes of Crude Oil (expressed in Barrels) and Natural Gas (expressed in Cubic Feet) which are produced and saved by the Contractor from within the Agreement Area and which reach the Delivery Point, excluding any Petroleum flared, lost (subject to the provisions of Article 12.10) or used in Petroleum Operations;

"**Ultimate Parent Company**" means in relation to a Contractor Party the person that ultimately Controls that Contractor Party, regardless of whether such control is exercised directly or through intermediate holding companies;

"**Unavailability Event**" occurs when the Contractor is unable to perform its obligations under this Agreement for a period of more than twenty-eight (28) calendar days and such failure:

- (a) does not arise out of nor is it in connection with an Event of Force Majeure; but
- (b) arises as a result of the Contractor being unable to procure a Service Contractor required to allow the Contractor to perform its obligations under this Agreement in accordance with the Approved Work Programme for the



applicable Calendar Year, due to there being a general, international and demonstrable shortage of adequately qualified service contractors available for the relevant task being sought to be performed by the Contractor;

**"Unitisation Agreement"** means an agreement between the Contractor and Third Party Contractor setting out their respective rights and obligations in respect of a Development on a unitised basis of a Petroleum Field located partly within the Agreement Area and partly in an agreement area in Brunei Darussalam held by the Third Party Contractor pursuant to a production sharing agreement;

**"U.S. CPI"** means the most current United States Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100 (not seasonally adjusted), officially published by the United States Department of Labor or its relevant successor authority;

**"US Dollar"** or **"USD"** means the official currency of the United States of America;

**"Valuation Date"** means the last day of each Calendar Quarter provided that upon each such Valuation Date the Spot Market is available, failing which, the Valuation Date will fall upon the next day on which the Spot Market is available;

**"Viable Market"** means, in relation to any Petroleum Field falling within Article 10.3(b), a market or markets into which all of the Natural Gas produced from such Petroleum Field can be sold by the Contractor on such terms as would generate a rate of return comparable to that of other Projects. A Viable Market will be deemed to exist if one or more potential purchasers are willing to make a commitment (conditional only on the Development of that Petroleum Field) to purchase all such Natural Gas on terms and conditions comparable to those offered for the natural gas from other Projects and at a price that would generate a rate of return comparable to that enjoyed by the equity participants in such Projects;

**"War Event"** means a declaration of war by the State of Brunei Darussalam against another nation state or states;


**"Well"** means a borehole, made by drilling in the course of Petroleum Operations, but does not include a seismic shot hole; and

"Work Programme" means a programme of Petroleum Operations that the Contractor prepares and submits for the approval of PetroleumBRUNEI in accordance with Article 9.1.

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In this Agreement:

- (a) references to the singular shall include the plural and vice versa, references to any gender shall include any other gender and references to Articles, appendices, annexes, exhibits and sections are to the Articles, appendices, annexes and exhibits of this Agreement and sections of the relevant appendix. All appendices, annexes and exhibits form part of this Agreement;
- (b) except where expressly specified to the contrary in this Agreement, references to an enactment or statutory provision is a reference to it as it may have been, or may from time to time be, amended, modified, consolidated or re-enacted;
- (c) the headings are inserted for convenience only and do not affect the construction of the Agreement;
- (d) "person" includes any individual, firm, company or other incorporated or unincorporated body;
- (e) the words "include", "including" and "in particular" shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any preceding words; and
- (f) the main body of this Agreement and any appendices, annexes and exhibits are intended to be correlative and mutually explanatory. Should however any discrepancy arise, then the provisions of the main body of the Agreement shall prevail over those of any appendix /or exhibit.

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ARTICLE 2

AGREEMENT AREA AND SCOPE



Article 2.1 The Contractor is hereby awarded the exclusive right to conduct Petroleum Operations in the Agreement Area in accordance with this Agreement. Nothing in this Agreement shall grant to the Contractor the right to explore for, develop or exploit any mineral resources other than Petroleum.

Article 2.2 The Contractor shall:

- (a) carry out and be responsible for Petroleum Operations; and
- (b) report to PetroleumBRUNEI and apply for such consents and approvals as are required by Applicable Law and this Agreement from PetroleumBRUNEI or as it shall direct.

Article 2.3 The Contractor acknowledges and agrees that except as may be expressly stated to the contrary in this Agreement, the duties and obligations of the Contractor pursuant to this Agreement shall be joint and several duties and obligations of all the Contracting Parties.

Article 2.4 The Contractor further acknowledges and agrees that the only payment for the costs and expenses incurred by and the obligations assumed or carried out by the Contractor hereunder shall be the Contractors Entitlement.

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ARTICLE 3

COMMENCEMENT AND TERM OF AGREEMENT

Article 3.1 The Term of the Agreement shall start on the Commencement Date and end on the earliest of:

- (a) the date the Contractor relinquishes the whole or the last retained part of, the Agreement Area pursuant to Article 4;
- (b) the date of termination of this Agreement pursuant to Article 28; or
- (c) the thirtieth (30th) anniversary of the Commencement Date; unless the Parties agree in writing to extend the Term, in which case, unless the Parties have agreed otherwise, the provisions of this Agreement shall apply mutatis mutandis to any such extended Term.

Article 3.2 Without limiting the generality of Article 3.1, the Parties acknowledge that where the Development and Production Period for a Petroleum Field containing Natural Gas would otherwise be less than twenty-four (24) years after the relevant Commerciality Date, the Parties will, before the relevant Development Plan is submitted to PetroleumBRUNEI, in good faith discuss an appropriate extension of the Development and Production Period for such Petroleum Field, PROVIDED that any such extension shall not result in the duration of the Development and Production Period exceeding twenty-four (24) years after the relevant Commerciality Date.

Article 3.3 The Exploration Period shall commence immediately following the Commencement Date and consist of two (2) phases as follows:

- (a) Phase 1: three (3) Agreement Years; and
- (b) Phase 2: three (3) Agreement Years,

subject to extension pursuant to Article 3.4 or earlier termination or relinquishment pursuant to this Agreement.

Article 3.4 Subject to:

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- (a) the written consent of PetroleumBRUNEI, such consent not to be unreasonably withheld; and
- (b) upon provision of evidence of the occurrence and reasons for the occurrence of the relevant Unavailability Event which is reasonably satisfactory to PetroleumBRUNEI,

the Exploration Period will be extended for a period equal to the duration of the relevant Unavailability Event or such other period as the Parties may agree between themselves in writing provided that the Contractor continually uses its reasonable endeavours to remedy the relevant Unavailability Event during the period over which such Unavailability Event subsists.

Article 3.5 The Exploration Period shall be deemed extended for those parts of the Agreement Area retained by the Contractor pursuant to Article 4.4(b), 4.4(c), 4.4(d), 4.4(e) and 4.4(f) and for the respective periods contemplated thereby.

Article 3.6 The Development and Production Period for any Development and Production Field shall commence on the relevant Commerciality Date and shall expire on the twenty-fourth (24<sup>th</sup>) anniversary of the commencement of such Development and Production Period, subject to earlier termination or relinquishment pursuant to this Agreement.

Article 3.7 The expiry of the Term pursuant to Article 3.1 shall be without prejudice to any rights, obligations and/or liabilities of the Parties hereunder which have arisen and/or accrued on or prior to the expiry of the Term.



## ARTICLE 4

### RELINQUISHMENT

Article 4.1 Subject to Article 4.2, on the last day of Phase 1 of the Exploration Period, the Contractor shall either:

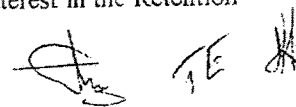
- (a) elect to relinquish fifty (50) per cent. of the original Agreement Area and enter into Phase 2 of the Exploration Period; or
- (b) relinquish all of the Agreement Area.

Article 4.2 The Contractor may seek to retain fifty (50) per cent. of the original Agreement Area which it is obliged to relinquish pursuant to Article 4.1 (the "Retention Area"), if:

- (a) the Contractor has fully satisfied all of its obligations under this Agreement in respect of Phase 1 of the Exploration Period;
- (b) retention of the Retention Area does not, in any way, restrict or diminish the ability of the Contractor to fully perform its obligations in relation to Phase 2 of the Exploration Period; and
- (c) the Parties will, within six (6) months of the Contractor electing to retain the Retention Area pursuant to this Article 4.2, attempt to negotiate a new Production Sharing Contract with PetroleumBRUNEI in respect of the Contractor's obligations and activities in the Retention Area.

Article 4.3 If the Parties cannot agree upon the terms of a new Production Sharing Contract for the Retention Area within six (6) months of the Contractor electing to retain the Retention Area pursuant to Article 4.2 with immediate effect:

- (a) the Contractor will automatically be deemed to have completely relinquished the Retention Area;
- (b) the Contractor will have no legal, equitable or any other interest in the Retention Area; and

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(c) the Contractor will be required to satisfy its obligations in respect of Site Restoration and Abandonment pursuant to Article 27 in relation to the Retention Area; and

(d) PetroleumBRUNEI will be free at any time thereafter, in its absolute discretion, to procure bids from third parties for a new Production Sharing Contract, licence, concession or any other arrangement or instrument whatsoever for the Retention Area or otherwise be completely free to deal with the Retention Area in any way it sees fit.

Article 4.4 On the last day of Phase 2 of the Exploration Period, the Contractor shall relinquish all areas necessary to reduce the Agreement Area to those parts which the Contractor is able to demonstrate to PetroleumBRUNEI's reasonable satisfaction consist only of:

(a) a Petroleum Field in respect of which an Approved Development Plan or an Approved Appraisal Plan applies on such day;

(b) a Petroleum Field in respect of which an Appraisal Plan or Development Plan or Gas Marketing Plan has been submitted to PetroleumBRUNEI and its approval is pending;

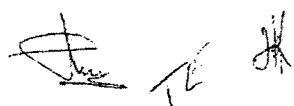
(c) a Gas Holding Area;

(d) a Retained Exploration Area;

(e) a Petroleum Field which is subject to unitisation pursuant to Article 11.1(c)(ii); and

(f) a Petroleum Field which is, or may subsequently be, encountered by an Exploration Well which is being drilled on that date, provided that unless the Contractor within:

(i) Ninety (90) days after the release of the rig from the location of such Exploration Well and in accordance with Article 10.1 confirms to PetroleumBRUNEI that such drilling resulted in a discovery of a Petroleum Field; and



- (ii) One hundred and eighty (180) days of the delivery of the report required pursuant to Article 10.3 submits to PetroleumBRUNEI for written approval the relevant Appraisal Plan or, as the case may be, Gas Marketing Plan;

the area comprising the relevant Petroleum Field shall be deemed to have been relinquished on the ninety-first (91<sup>st</sup>) day or the two hundred and seventieth (270<sup>th</sup>) day following the release of the rig from the location of such Exploration Well;

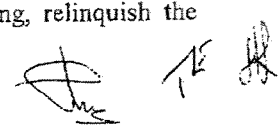
provided that if no part of the Agreement Area is retained unrelinquished pursuant to Articles 4.4(a), (b), (c), (d), (e) and (f), then the Agreement Area shall be reduced to zero.

Article 4.5 The Contractor's rights to any Retained Exploration Area shall be subject to the terms agreed in conjunction with the grant of the said area and this Agreement.

Article 4.6 The Contractor may voluntarily relinquish the whole or any part of the Agreement Area.

Article 4.7 In addition to the Contractor's rights and obligations in respect of relinquishment described in Article 4.1, 4.2 or 4.6 above, upon the::

- (a) expiry of any Gas Holding Period, the Contractor shall (subject to its right to submit an Appraisal Plan or a Development Plan pursuant to Article 10) relinquish any relevant Gas Holding Area, save to the extent the Gas Holding Area contains Petroleum Fields satisfying one of the four tests described in Articles 4.4(a), 4.4(b), 4.4(e) and 4.4(f);
- (b) expiry of the term of any agreement pursuant to which a Retained Exploration Area was granted, the Contractor shall relinquish all or part of any Retained Exploration Area;
- (c) occurrence of the conditions set out in Article 11.4(b) or Article 11.5(g) the Contractor shall, unless the Parties agree otherwise in writing, relinquish the relevant part of the Agreement Area.



Article 4.8 Subject to Article 4.9, the Contractor shall relinquish any Development and Production Field in relation to which no Production has taken place for twelve (12) months (the "NP Period").

Article 4.9 The Contractor will not be required to relinquish any Development and Production Field pursuant to Article 4.8 where:

- (a) the failure to Produce from such Development and Production Field is due to an Unavailability Event;
- (b) the Contractor:
  - (i) provides PetroleumBRUNEI with such evidence of the relevant occurrence of the relevant Unavailability Event which is reasonably satisfactory to PetroleumBRUNEI; and
  - (ii) continually uses its reasonable endeavours to remedy the relevant Unavailability Event during the period over which such Unavailability Event subsists;
- (c) PetroleumBRUNEI, acting reasonably on the basis of the evidence provided to it by the Contractor pursuant to Article 4.9(b)(i) consents to an extension of the NP Period, such extension to be equal to the period for which the relevant Unavailability Event subsists.

Article 4.10 Relinquishment Criteria

- (a) Minimum Work Obligation

No relinquishment pursuant to Article 4.1, 4.2, 4.5 or 4.6 may be undertaken unless the payments set out in Article 8.3 (or any instrument setting out the terms applicable to a Retained Exploration Area) have been made.

- (b) Configuration of Area

- (i) Not less than four (4) months prior to the date of a relinquishment pursuant to Article 4.1 or 4.6, the Contractor shall submit to PetroleumBRUNEI a relinquishment notice

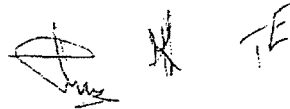
setting out the area(s) of the Agreement Area it wishes to relinquish. Such notice shall be accompanied by a map with the description of precise co-ordinates of such area(s).

- (ii) The area(s) shall be contiguous, possess such boundaries and be of sufficient size and convenient shape so as to allow petroleum operations to be carried out efficiently in such relinquished area.
- (iii) As soon as reasonably practicable (but not later than three (3) months) after the Contractor submits the relinquishment notice, PetroleumBRUNEI shall notify the Contractor whether or not the relinquishment criteria have been met.

(c) Severance of Relinquished Area

On the date of issue of PetroleumBRUNEI's approval pursuant to Article 4.10(b) (iii), the area the subject of the notice shall be severed from the Agreement Area and this Agreement shall cease to apply to such area.

- (d) Any relinquishment shall be without prejudice to any rights, obligations and/or liabilities of the Parties under this Agreement that have arisen and/or accrued on, or prior to, such relinquishment.

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## ARTICLE 5

### GENERAL RIGHTS AND OBLIGATIONS OF CONTRACTOR

Article 5.1

Without prejudice to the other provisions of this Agreement the Contractor shall for the purposes of Petroleum Operations and subject to Good Oilfield Practice, this Agreement and Applicable Law have the right:

- (a) of access to and egress from the Agreement Area;
- (b) (subject, in the case of Natural Gas, to Article 14.2) to use, free of any payment to PetroleumBRUNEI, such quantities of Petroleum produced from the Agreement Area as are reasonably required for conducting Petroleum Operations in the Agreement Area in accordance with Good Oilfield Practice;
- (c) to lay pipelines, build roads, construct bridges, ferries, jetties, harbours, platforms, aerodromes, landing fields, radio telephones and related communication and infrastructure facilities and exercise other ancillary rights as may be reasonably necessary for the conduct of Petroleum Operations;
- (d) to store, lift and transport Petroleum and its by-products;
- (e) to use all Data in accordance with Article 32;
- (f) to use all railways, roads, airports, landing fields, canals, rivers, bridges, waterways, telecommunication networks and other facilities as well as the right of access, egress and occupation in respect of areas on or under the sea floor and/or surface land which are located outside the Agreement Area, provided that the Contractor, has agreed the terms of such use (including the terms of payment or other consideration therefor) with the owner of the relevant facility or area;
- (g) the right to exercise and enjoy the rights granted by this Agreement during the Term peaceably and quietly and without any interruption, provided that the Contractor promptly makes all payments and complies with all its obligations under this Agreement; and
- (h) such other rights as are specified in this Agreement,

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Provided that before exercising any such rights or undertaking any such activities, the Contractor has applied for such approval or permission and paid (or reimbursed PetroleumBRUNEI) any costs, fees or compensation that may be required by Applicable Law.

Article 5.2 The Contractor shall in accordance with this Agreement and Applicable Law:

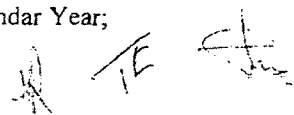
- (a) except as otherwise expressly provided in this Agreement, conduct all Petroleum Operations:
  - (i) diligently, expeditiously, efficiently and in accordance with Good Oilfield Practice and any Plans, paying due attention to the safety of persons, property and the environment;
  - (ii) in accordance with this Agreement; and
  - (iii) in a manner that will permit the maximum efficient and economic Production of Petroleum;
- (b) ensure that all Data and other information required to be furnished to PetroleumBRUNEI is so furnished;
- (c) ensure that all Project Assets comply with Good Oilfield Practice and are of proper construction and kept in safe and good working order;
- (d) procure that its subcontractors comply with Good Oilfield Practice; and
- (e) provide acceptable working conditions, living accommodation and access to medical attention and nursing care for all personnel employed in Petroleum Operations.

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## ARTICLE 6

### JOINT MANAGEMENT COMMITTEE

- Article 6.1 Within thirty (30) days of the Commencement Date, the Parties shall establish a Joint Management Committee to coordinate and facilitate the relationship between the Contractor and PetroleumBRUNEI and to ensure that the obligations of the Parties are performed in an efficient manner.
- Article 6.2 The Joint Management Committee shall be a consultative body only and shall not restrict or supplant the Contractor's right and duty to contact and seek the approval of PetroleumBRUNEI in relation to any matter contemplated by this Agreement.
- Article 6.3 The Joint Management Committee shall comprise one (1) member nominated by each Investor Party and a number of members nominated by PetroleumBRUNEI equal to the aggregate number of Investor Party members. All such members shall be of managerial status. At least one (1) of the Contractor Parties' nominees shall be the representative of the Operator in its capacity as such. PetroleumBRUNEI shall nominate one (1) of its members to be the chairman. Each member shall nominate an alternate to represent such member at meetings of the Joint Management Committee if such member is unable to attend. The Parties may replace their members and members may replace their alternates by written notice to the other Parties.
- Article 6.4 The Joint Management Committee shall meet at least once every Calendar Quarter and at any other time at the request of PetroleumBRUNEI or the Contractor. A quorum for a meeting will be at least two (2) members nominated by each of PetroleumBRUNEI and the Contractor or their alternates present in person PROVIDED that one of the members or alternates so present represents the Operator.
- Article 6.5 The Joint Management Committee shall generally provide a forum for the exchange of views regarding Petroleum Operations on a range of matters including:
- (a) the Work Programme and Budget for the following Calendar Year;



- (b) any Gas Marketing Plan;
- (c) any Appraisal Plan;
- (d) any Development Plan;
- (e) any proposed Abandonment Plan;
- (f) proposed revisions to any Approved Work Programme, Approved Budget, Approved Gas Marketing Plan, Approved Appraisal Plan, Approved Development Plan and/or Abandonment Plan;
- (g) the progress of Petroleum Operations under an Approved Work Programme and Approved Budget;
- (h) any indicative work programme and the budget for the next five (5) Calendar Years to be submitted to PetroleumBRUNEI in accordance with Article 9.2; and
- (i) any other long term planning considerations.

**Article 6.6** The Joint Management Committee may form sub-committees at such time and for such period as it considers necessary to advise it on such matters as are deemed appropriate by the Joint Management Committee. The Joint Management Committee shall at the time of formation of a sub-committee specify its purpose, membership and the procedures to be followed by any such sub-committee.

**Article 6.7** The Joint Management Committee may establish a sub-committee tasked with assisting the Contractor to meet the objectives for the employment of Brunei nationals set out in Article 23.1. Such sub-committee will:

- (a) develop a master plan for human resources development in Brunei;
- (b) supervise the implementation by the Operator in Brunei of human resources development tools such as:

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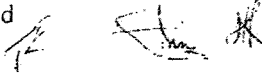


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- (i) manpower planning;
  - (ii) competence profiles and skills assessment;
  - (iii) individual development plans;
  - (iv) extensive training; and
  - (v) coach and godfather systems.

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## ARTICLE 7

### OPERATOR

- Article 7.1* The Contractor Parties shall as soon as practicable after the Commencement Date enter into the Joint Operating Agreement. The terms of the Joint Operating Agreement shall prior to its execution (and any subsequent amendment) be subject to PetroleumBRUNEI's approval provided that the receipt or approval by PetroleumBRUNEI of the Joint Operating Agreement shall be without prejudice its rights under this Agreement.
- Article 7.2* The Contractor Parties shall pursuant to the Joint Operating Agreement appoint one of their number to act as Operator and shall procure that the Operator complies with all of the Contractor's obligations hereunder.
- Article 7.3* The appointment of and any subsequent change of Operator shall require the prior written approval of PetroleumBRUNEI.
- Article 7.4* The Operator shall:
- (a) establish a registered office (or, if the Operator is not a company incorporated in Brunei Darussalam, a registered branch office) in Brunei Darussalam, which shall have the authority to represent the Operator hereunder.
  - (b) conduct and direct all Petroleum Operations in the Agreement Area from such office in Brunei Darussalam for and on behalf of the Contractor, subject to the terms of this Agreement
- Article 7.5* PetroleumBRUNEI may by notice in writing instruct the Contractor to replace the Operator if:
- (a) the Operator has committed a material breach of its duties and such breach (if capable of remedy) remains unremedied thirty (30) working days after the date of PetroleumBRUNEI's notice and for the purposes of this Article 7.5:
    - (i) breach of Article 32.2; and 

- (ii) the preparation by the Operator of false data, records or accounts in connection with Petroleum Operations with intent to mislead PetroleumBRUNEI,

shall be material breaches of the Operator's duties which are incapable of remedy;

- (b) an Insolvency Event should occur in relation to the Operator or any of its Affiliates; or
- (c) there is a change in a shareholder of the Operator or a shareholder of a company directly or indirectly holding an interest in the Operator (an "Operator Interest") which results in a person or an entity which does not have a an Operator Interest as at the date upon which PetroleumBRUNEI approves of the appointment of the relevant Operator pursuant to Article 7.3 acquiring an Operator Interest except where such change results from an initial public offering of shares on a regulated investment exchange or the trading of a company's stock (including on a regulated investment exchange).

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## ARTICLE 8

### MINIMUM WORK AND EXPENDITURE OBLIGATION

Article 8.1

#### Phase I of the Exploration Period

(a) The Contractor's Minimum Work Obligation for Phase I of the Exploration Period shall be:

(i) subject to such seismic data being provided to PetroleumBRUNEI by Third Parties:

(A) re-process at least one thousand five hundred (1,500) kilometres of seismic data, to the extent that such data:

(aa) is made available to the Contractor by PetroleumBrunei; and

(bb) is capable of being reprocessed by the Contractor acting in accordance with Good Oilfield Practice;

(B) the Contractor will reimburse PetroleumBRUNEI for any costs incurred by PetroleumBRUNEI in reproducing the seismic data referred to in Article 8.1(a)(i)(A) provided that such cost is to be a Recoverable Cost to the Contractor for the purposes of this Agreement;

(ii) acquire and process not less than seven-hundred and fifty(750) kilometres of onshore 2D seismic data and five hundred (500) kilometres of offshore 2D seismic data;

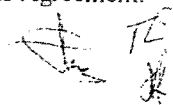
(iii) acquire and process not less than one hundred and fifty (150) square kilometres of 3D offshore seismic data, provided that such 3D programme may be convertible in to a dollar equivalent onshore 2D seismic programme by the Contractor with the prior written consent of PetroleumBRUNEI acting in its absolute discretion;

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- (iv) drill at least two onshore Exploration Wells, each to a depth of two thousand (2,000) meters.
- (b) The Contractor's minimum expenditure for Phase 1 of the Exploration Period shall be USD twenty million and five-hundred thousand US dollars (20,500,000) and must be consistent with the breakdown of such expenditure detailed in Annex C to this Agreement.
- (c) If the Contractor elects to enter Phase 2 of the Exploration Period, it shall at least thirty (30) days prior to the end of Phase 1, notify PetroleumBRUNEI of its election in writing.

Article 8.2 Phase 2 of the Exploration Period

- (a) The Contractor's Minimum Work Obligation for Phase 2 of the Exploration Period shall be:
  - (i) acquire and process not less than five hundred (500) kilometres of onshore 2D seismic data and five hundred (500) kilometres of offshore 2D seismic data; and
  - (ii) acquire and process not less than one hundred and fifty (150) square kilometres of offshore 3D seismic data, provided that such 3D programme is convertible into a dollar equivalent onshore 2D seismic programme by the Contractor with the prior written consent of PetroleumBRUNEI acting in its absolute discretion;
  - (iii) drill at least two onshore Exploration Wells, each to a depth of two thousand (2,000) metres;
- (b) The Contractor's minimum expenditure for Phase 2 of the Exploration Period shall be USD sixteen million U.S. dollars (16,000,000) and must be consistent with the breakdown of such expenditure detailed in Annex C to this Agreement.



Article 8.3

If upon the expiry of Phase 1 or Phase 2 as the case may be the Contractor has not satisfied its obligations under Article 8.1(a) or Article 8.1(b) respectively it shall within thirty (30) days at PetroleumBRUNEI's option either:

- (a) pay to PetroleumBRUNEI the unspent balance Minimum Expenditure Obligation; or
- (b) pay to PetroleumBRUNEI the sum of three thousand US Dollars (US\$3,000) multiplied by the aggregate number of meters the Contractor is required to drill pursuant to Article 8.1(a)(iv) and Article 8.2(a)(ii) but that the Contractor has not drilled by that date (which amount shall not exceed the amount specified in Annex C).

Article 8.4

If during the course of drilling an Exploration Well required under Article 8.1(a)(iv) and Article 8.2(a)(iii), the Contractor stops drilling operations having:

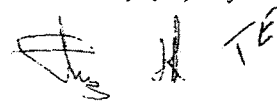
- (a) reached the Target Formation; or
- (b) encountered unsafe conditions, the Basement or other insurmountable technical problems, such that a Reasonable and Prudent Operator would not elect to continue such drilling; or
- (c) encountered Petroleum of potentially commercial significance, such that a Reasonable and Prudent Operator would not elect to continue such drilling, taking into account solely the geological potential of such Petroleum and the Target Formation;

then provided that such Exploration Well had reached a depth of at least three quarters of the target depth set out in Article 8.1(a)(iv) or Article 8.2(a)(iii) (as the case may be) it shall be deemed to have been completed, notwithstanding it not having reached the target depth.

Article 8.5

Each Contractor Party shall deliver to PetroleumBRUNEI:

- (a) within forty-five (45) working days from the Commencement Date; or
- (b) if the Contractor provides a notice to PetroleumBRUNEI of its intention to enter Phase 2 pursuant to Article 8.1(c), no later than thirty (30) days prior to the end of Phase 1,

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an irrevocable letter of Guarantee from a bank incorporated or licensed in Brunei Darussalam substantially in the form and substance set out in Annex E, for an initial sum (expressed in USD) equal to its Percentage Interest of the Guarantee Amount for Phase 1 or Phase 2 as applicable. Any entity which hereafter becomes a party to this Agreement shall provide, upon request by PetroleumBRUNEI, a guarantee of its obligations hereunder in form and substance acceptable to PetroleumBRUNEI.

**Article 8.6** Notwithstanding Article 8.5, the Contractor Parties may deliver to PetroleumBRUNEI a single irrevocable letter of Guarantee from a bank incorporated or licensed in Brunei Darussalam substantially in the form and substance set out in Annex E, for a sum (expressed in USD) equal to the Guarantee Amount for Phase 1 or Phase 2 as applicable in satisfaction of the Contractor Parties' obligations under Article 8.5.

**Article 8.7** The letters of Guarantee specified in Article 8.5 shall terminate upon the occurrence of the earlier of either:

- (a) The Contractor having fulfilled its Minimum Expenditure Obligation for Phase 1 or Phase 2 as applicable, as certified by PetroleumBRUNEI; or
- (b) The expiration of Phase 1 or Phase 2 as applicable.

**Article 8.8** If a Contractor Party is a Special Purpose Company:

- (a) that Contractor Party must procure a PCG from its Ultimate Parent Company in respect of its obligations under this Agreement;
- (b) and such Special Purpose Company is subject to a Change of Control:
  - (i) that Contractor Party must procure that a replacement PCG is provided by its new Ultimate Parent Company as soon as possible after such Change of Control; and
  - (ii) the PCG in force at the time of such Change of Control will remain in force and will not expire until such time it is replaced pursuant to Article (i).



Article 8.9

If the Contractor exceeds its Minimum Work Obligations in respect of Phase 1 pursuant to Article 8.1(a)(ii), 8.1(a)(iii) or 8.1(a)(iv), such excess performance may be carried forward to Phase 2 and set off against its Minimum Work Obligations in respect of Phase 2 under Article 8.2(a)(i), 8.2(a)(ii) or 8.2(a)(iii) as applicable. For the avoidance of doubt:

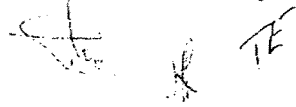
- (a) excess performance by the Contractor of its Minimum Work Obligations under Article 8.1(a)(ii) may only be carried forward and set off against its Minimum Work Obligations under Article 8.2(a)(i);
- (b) excess performance by the Contractor of its Minimum Work Obligations under Article 8.1(a)(iii) may only be carried forward and set off against its Minimum Work Obligations under Article 8.2(a)(ii);
- (c) excess performance by the Contractor of its Minimum Work Obligations under Article 8.1(a)(iv) may only be carried forward and set off against its Minimum Work Obligations under Article 8.2(a)(iii); and
- (d) excess performance by the Contractor of its Minimum Work Obligations in respect of Phase 1 which is carried forward pursuant to Articles 8.9(a), 8.9(b) or 8.9(c) shall reduce the Minimum Expenditure Obligations for Phase 2 by an amount attributable to such excess performance calculated in accordance with Annex C.



## ARTICLE 9

### WORK PROGRAMME AND BUDGET

- Article 9.1 No later than sixty (60) days after the Commencement Date, the Contractor shall submit to PetroleumBRUNEI for written approval a Work Programme and Budget for that Calendar Year. Thereafter, at least ninety (90) days prior to the beginning of each succeeding Calendar Year, the Contractor shall submit to PetroleumBRUNEI for written approval a Work Programme and Budget for the next Calendar Year or part thereof, as the case may be.
- Article 9.2 At the same time, the Contractor shall submit to PetroleumBRUNEI an indicative work programme and budget for the next five (5) Calendar Years.
- Article 9.3 Each Work Programme and Budget shall be prepared in accordance with Good Oilfield Practice and shall contain:
- (a) separate sections for Exploration Operations as well as for each Plan in respect of which the Contractor proposes to carry out work during such Calendar Year or part thereof, as the case may be;
  - (b) estimated expenditure for each separate item referred to in Article 9.3(a);
  - (c) the proposed timing of Petroleum Operations;
  - (d) estimated production from each Petroleum Field during such Calendar Year or part thereof, as the case may be;
  - (e) a description of the work and the estimated associated costs of abandoning and/or removing any Project Assets from, and restoring to their original condition, each area in which the Contractor proposes to carry out Petroleum Operations; and
  - (f) such other information as PetroleumBRUNEI shall notify the Contractor in a timely manner that it reasonably requires.
- Article 9.4 Each Work Programme and Budget shall be consistent with the Minimum Work Obligation and Minimum Expenditure Obligation and with the contents of any Plan.



Article 9.5

No later than forty five (45) days after the Commencement Date in the case of the first Work Programme and Budget, and thirty (30) days prior to the beginning of the Calendar Year in the case of subsequent Work Programmes and Budgets, the Parties shall meet to discuss the Work Programme and Budget. Prior to or at such meeting, PetroleumBRUNEI shall either approve the Work Programme and Budget or propose amendments thereto. The Parties shall discuss any proposed amendments in good faith. If the Parties shall fail to reach agreement on the proposed amendments within fourteen (14) days of the first meeting, the Contractor shall incorporate PetroleumBRUNEI's proposed amendments provided that these do not increase the Budget proposed by the Contractor by more than ten percent (10%).

Article 9.6

The Contractor shall diligently implement a Work Programme and Budget that have been approved or amended, as the case may be.

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ARTICLE 10

PROCEDURES FOR APPRAISAL PLANS, GAS MARKETING  
PLANS AND DEVELOPMENT AND PRODUCTION PLANS

Article 10.1 The Contractor shall notify PetroleumBRUNEI of each discovery of Petroleum promptly on becoming aware of the same.

Article 10.2 If the Contractor decides to conduct a drill stem or production test, it shall notify PetroleumBRUNEI as soon as practicable of the time of such test prior to the proposed test, and PetroleumBRUNEI shall have the right to have a representative present and to witness the conduct of any such test.

Article 10.3 In the case of a discovery of a Petroleum Field the Contractor shall within one hundred and eighty (180) days of the delivery of the report required pursuant to Article 22.2(b), if the discovery is of a significant accumulation of:

(a) Crude Oil submit to PetroleumBRUNEI for approval an Appraisal Plan;

(b) Natural Gas submit to PetroleumBRUNEI for approval either:

(i) if a Viable Market shall exist for Natural Gas, an Appraisal Plan;  
or

(ii) if no Viable Market shall exist for Natural Gas a Gas Marketing Plan; and

(c) both Crude Oil and Natural Gas (and no Viable Market exists for Natural Gas) submit to PetroleumBRUNEI for approval both an Appraisal Plan and a Gas Marketing Plan.

Article 10.4 Gas Marketing Plans

(a) A Gas Marketing Plan shall:

(i) demonstrate to PetroleumBRUNEI's reasonable satisfaction there is then no Viable Market for the Natural Gas concerned and the reasons why that is the case;



- (ii) set out the conditions which the Contractor considers necessary for a Viable Market to be established;
  - (iii) detail the work the Contractor proposes should be undertaken (A) by the Contractor and its Affiliates and (B) by Third Parties in order to assist in the establishment of a Viable Market;
  - (iv) estimate the period within which the Contractor thinks a Viable Market may be established;
  - (v) describe any technical evaluation and/or other work relating to the discovered Petroleum Field the Contractor proposes to carry out; and
  - (vi) specify the estimated extent of the discovered Petroleum Field and the composition of Petroleum found.
- (b) PetroleumBRUNEI shall within 30 days of receipt of a Gas Marketing Plan either approve it or propose amendments thereto. Any proposed amendments shall be discussed in good faith between the Parties. If no agreement is reached on the proposed amendments within 30 days of them being issued by PetroleumBRUNEI, the Gas Marketing Plan shall be deemed rejected by PetroleumBRUNEI.
- (c) The Contractor may not later than:
- (i) One hundred and eighty (180) days after the date on which the first Gas Marketing Plan was rejected; or
  - (ii) the date falling thirty (30) days before the end of the phase of the Exploration Period during which the discovery was made,
- whichever is the earlier, submit to PetroleumBRUNEI a revised Gas Marketing Plan.
- (d) PetroleumBRUNEI shall within thirty (30) days of receipt of the revised Gas Marketing Plan either approve it or propose amendments thereto. Any proposed amendments shall be discussed in good faith between the Parties. If no

agreement is reached on the proposed amendments within thirty (30) days of them being issued by PetroleumBRUNEI, the revised Gas Marketing Plan shall be deemed rejected by PetroleumBRUNEI and the Contractor shall either forthwith submit an Appraisal Plan for or relinquish the Gas Holding Area.

**Article 10.5 Appraisal Plans**

- (a) Each Appraisal Plan shall be prepared in accordance with Good Oilfield Practice and shall contain:
  - (i) a description of the works proposed to be carried out by the Contractor to delineate the discovered Petroleum Field;
  - (ii) the estimated timing and cost of the works referred to in Article 10.5(a) (i); and
  - (iii) such other information as PetroleumBRUNEI shall in a timely manner notify the Contractor that it may reasonably require.
- (b) The Contractor shall diligently implement any approved Appraisal Plan and the Contractor shall no later than ninety (90) days after the implementation of such Appraisal Plan is completed, deliver to PetroleumBRUNEI the Appraisal Report.

**Article 10.6 Commerciality**

- (a) If an Appraisal Report shall demonstrate to PetroleumBRUNEI's reasonable satisfaction that a discovered Petroleum Field is commercial, the Contractor shall within two hundred and seventy (270) days of delivery of the Appraisal Report submit to PetroleumBRUNEI for written approval a Development Plan for the relevant Petroleum Field(s).
- (b) If an Appraisal Report shall state that the Contractor is of the opinion that a discovered Petroleum Field is non-commercial, the Contractor and PetroleumBRUNEI shall meet to discuss in good faith ways to proceed with the Development of such Petroleum Field on a commercial basis. PetroleumBRUNEI shall be under no obligation to agree to any amendment of this Agreement proposed by the Contractor to enhance the potential commerciality of a discovered Petroleum Field.

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Article 10.7

Development Plans

- (a) Any Development Plan submitted by the Contractor pursuant to Article 10.6(a) shall be in a form reasonably acceptable to PetroleumBRUNEI and prepared in accordance with Good Oilfield Practice having due regard to the optimum efficient rate of Production appropriate to the Petroleum Field in question and shall contain:
- (i) a general description of the techniques and equipment proposed to develop the field;
  - (ii) a proposed work program and project budget for the Development;
  - (iii) a description of the technical and economic feasibility of alternative methods of development;
  - (iv) a general description of the Goods and Services required for the Development that the Contractor proposes to purchase in Brunei Darussalam;
  - (v) where any Petroleum Field extends beyond the Agreement Area, a suggested unitisation plan;
  - (vi) an outline of how the Contractor proposes to finance the Development;
  - (vii) a map delineating the proposed Development area;
  - (viii) descriptions of the nature and characteristic of the reservoir, data, statistics, interpretations and conclusions on all aspects of the geology, reservoir evaluation, petroleum engineering factors, reservoir models, estimates of reserve in place, possible production profiles and analysis of producible Petroleum;
  - (ix) estimates of reserves, production profiles, an evaluation of the Petroleum Field's commercial life, and, following a request from PetroleumBRUNEI but at the Contractor's cost, an independent third party reserves report;



- (x) a description of the anticipated adverse impact on the environment and measures to be taken for prevention or minimisation thereof and for general protection of the environment in the conduct of Development Operations;
  - (xi) a description of the measures to be taken for the health and safety of persons employed in Petroleum Operations; and
  - (xii) such other information as PetroleumBRUNEI shall in a timely manner notify the Contractor that it may reasonably require.
- (b) The Contractor shall implement promptly and without undue interruption an approved Development Plan and shall not carry out any Development work for the purpose of producing Petroleum from the Agreement Area except in accordance with such Approved Development Plan.

**Article 10.8 Approval of Appraisal and Development Plans**

- (a) The information described in paragraphs 10.5(a)(i) to (iii) and 10.7(a)(i) to (xii) (inclusive) shall be presented, in relation to each Calendar Year covered by the Appraisal Plan or Development Plan in question with a level of detail no less specific than that which would apply to a Work Programme and Budget.
- (b) PetroleumBRUNEI shall within thirty (30) days of receipt of an Appraisal Plan or Development Plan either approve it or propose amendments thereto.
- (c) Any amendments proposed by PetroleumBRUNEI shall be discussed in good faith between the Parties. If no agreement is reached within thirty (30) days of them being issued by PetroleumBRUNEI, the matter shall be referred to the Expert for determination pursuant to Article 10.8 (d) below and Article 30.
- (d) The Expert shall be required to determine whether it is the original Appraisal or Development Plan (as the case may be) submitted by the Contractor or the Appraisal or Development Plan (as the case may be) as amended by PetroleumBRUNEI that is most consistent with this Agreement, conforms most closely to Good Oilfield Practice and:

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- (i) in the case of an Appraisal Plan, will best evaluate and delineate the discovered Petroleum Field; or
- (ii) in the case of a Development Plan, will produce Petroleum from and deplete the discovered Petroleum Field in the most efficient manner, having regard to the characteristics of such Petroleum Field

Article 10.9 Amendments

- (a) The Parties recognise that an Approved Gas Marketing Plan, an Approved Appraisal Plan and/or an Approved Development Plan may require amendments in light of changing circumstances.
- (b) In such circumstances either Party may propose revisions of any such plans. The Parties shall discuss any proposed amendments in good faith.
- (c) If no agreement is reached on the proposed amendments, the Parties shall refer for determination by the Expert in accordance with Article 30 the question of whether the proposed amendments are required to ensure that the relevant plan continues to reflect Good Oilfield Practice.
- (d) If the Expert shall determine that the proposed amendments are so required, they shall be deemed incorporated into the relevant plan. Otherwise the relevant plan shall continue in force unamended.

Article 10.10 A Joint Appraisal Plan or a Joint Development Plan prepared in relation to a Petroleum Field and delivered pursuant to Article 11 shall satisfy the Contractor's obligation to deliver an Appraisal Plan or a Development Plan pursuant to this Article 10.





## ARTICLE 11

### UNITISATION

#### Article 11.1 Unitisation of Petroleum Fields in Brunei Darussalam

- (a) Where a Petroleum Field extends to areas adjacent to the Agreement Area held by a Third Party Contractor and PetroleumBRUNEI considers that any work programmes proposed by the Contractor and the Third Party Contractor independently of each other will not lead to an optimal evaluation of the Petroleum Field, PetroleumBRUNEI may by notice in writing require that the Contractor and such Third Party Contractor discuss in good faith a basis for conducting a joint evaluation of the Petroleum Field and its potential Development, including the establishment of a common database and an agreed programme for further Exploration, appraisal and/or Development work in relation to such Petroleum Field.
- (b) Should the Contractor and Third Party Contractor agree to conduct joint evaluation works they shall deliver to PetroleumBRUNEI within one hundred and eighty (180) days (or such longer period as may be agreed between the Parties) of PetroleumBRUNEI's notice:
- (i) a Joint Appraisal Plan; and
  - (ii) a draft Joint Appraisal Agreement.
- (c) If following their good faith discussions, the Contractor and the Third Party Contractor agree that there is no merit in conducting a joint evaluation of the Petroleum Field, they shall notify PetroleumBRUNEI of this and be under no further obligation to conduct a joint evaluation of such Petroleum Field on a unitised basis until either:
- (i) the Contractor submits an Appraisal Plan; or
  - (ii) the Third Party Contractor submits pursuant to the terms of its production sharing agreement a plan analogous to an Appraisal Plan,

in respect of such Petroleum Field whereupon PetroleumBRUNEI may issue a notice to the Contractor and the Third Party Contractor requiring them to enter into the Joint Appraisal Documents on such terms as PetroleumBRUNEI shall reasonably direct and following completion of the work conducted pursuant to the Joint Appraisal Plan, prepare a Joint Appraisal Report.

Article 11.2 If a Joint Appraisal Report shall conclude that a Joint Development of the relevant Petroleum Field(s) is commercial, the Contractor and the Third Party Contractor shall deliver to PetroleumBRUNEI within three hundred and sixty (360) days (or such longer period as PetroleumBRUNEI may agree in writing) of approval of the Joint Appraisal Report by PetroleumBRUNEI:

- (a) a Joint Development Plan; and
- (b) a draft Unitisation Agreement.

Article 11.3 If a Joint Appraisal Report concludes that a Joint Development of the relevant Petroleum Field(s) is not commercial, the Contractor shall implement the Appraisal Plan referred to in Article 11.1(c)(i) in accordance with Article 10.5(b).

Article 11.4 If the Contractor and the relevant Third Party Contractor are unable to agree the terms of the Joint Development Documents within such three hundred and sixty (360) day period PetroleumBRUNEI may, in its sole discretion either:

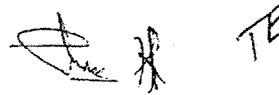
- (a) itself prepare a Joint Development Plan in consultation with the Contractor and the Third Party Contractor, which the Contractor together with the Third Party Contractor shall implement; or
- (b) require the Contractor to relinquish the discovered Petroleum Field forthwith.

Article 11.5 International Unitisation

- (a) Where a discovered Petroleum Field shall straddle an international boundary, the Contractor's rights and obligations under Article 10 shall be suspended pending the conclusion of an international unitisation agreement.

- (b) PetroleumBRUNEI may, if it so elects, but only after consulting with the Contractor, represent the Contractor Parties in any international unitisation negotiations.
- (c) PetroleumBRUNEI and the Contractor shall co-operate during the preparation and negotiation of any international unitisation agreement.
- (d) During the course of such negotiations PetroleumBRUNEI shall:
  - (i) endeavour to involve the Contractor at each stage; and
  - (ii) make no commitment on any material provisions without the prior agreement of the Contractor;
- (e) The Contractor shall reimburse PetroleumBRUNEI its reasonable costs and expenses incurred in connection with the negotiation of such international unitisation agreement;
- (f) Subject to PetroleumBRUNEI complying with its obligations of this Article 11.5, all terms of an international unitisation agreement agreed by PetroleumBRUNEI shall bind the Contractor.
- (g) If three (3) years after the commencement of negotiations pursuant to this Article 11.5, an international unitisation agreement acceptable to PetroleumBRUNEI has not been executed, the Contractor shall be allowed to carry out Development and Production in respect to the relevant Petroleum Field(s) within the Agreement Area, provided that the Contractor:
  - (i) at any time before the expiry of the above period notifies PetroleumBRUNEI that it is prepared to proceed with the Development and Production in respect of the relevant Petroleum Field(s); and-
  - (ii) complies promptly with its obligations under Article 10.

If PetroleumBRUNEI is not so notified or such obligations are not so complied with, the Contractor shall, unless the Parties agree otherwise in writing, relinquish the relevant Petroleum Field(s) forthwith.

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ARTICLE 12

COST RECOVERY AND PETROLEUM ALLOCATION

Article 12.1 All Recoverable Costs shall be included for the purposes of calculating Cost Oil and/or Cost Gas, as the case may be, regardless of where Cost Oil and/or Cost Gas is produced in the Agreement Area. Recoverable Costs shall be determined in accordance with the Accounting Procedures.

Article 12.2 Total Production of Crude Oil for each Calendar Quarter (or, if a Development and Production Period begins or ends during a Calendar Quarter, a part of such Calendar Quarter) shall be split as follows:

[REDACTED]

Article 12.3 Subject to Article 12.12, for any Calendar Quarter:

- (a) [REDACTED]
- (b) if the Recoverable Costs shall exceed the Oil Cost Pool, the unrecovered Recoverable Costs shall be carried forward for recovery out of the Cost Pool for the next succeeding Calendar Quarter and added to the Recoverable Costs expended in that Calendar Quarter until fully recovered; and
- (c) if the Cost Pool exceeds the amount of Cost Oil, the amount of the excess shall be allocated to Profit Oil.

Article 12.4 The volume of Profit Oil allocable to PetroleumBRUNEI and the Contractor for each Calendar Quarter shall be determined in the following manner:

- (a) Profit Oil shall be split in the following increments:

*[Handwritten initials/signatures]*

Average daily Total Production of Crude Oil	Contractor's Share	PetroleumBRUNEI's share
First ten thousand (10,000) Barrels per day in a Calendar Quarter.	[REDACTED]	[REDACTED]
Between ten thousand and one (10,001) and twenty five thousand (25,000) Barrels per day in a Calendar Quarter.	[REDACTED]	[REDACTED]
Over twenty five thousand and one (25,001) Barrels average per day in a Calendar Quarter.	[REDACTED]	[REDACTED]

provided that once the cumulative Total Production of Crude Oil shall have exceeded [REDACTED] Barrels, then all Profit Oil obtained thereafter in any Calendar Quarter or part thereof shall be split on the basis of [REDACTED] for PetroleumBRUNEI and [REDACTED] for the Contractor;

- (b) the volume of Profit Oil allocated to the Contractor in any Calendar Quarter shall be determined by multiplying the Contractor's Profit Oil percentage shown in Article 12.4(a)(a) by the total volume of Profit Oil available for such Calendar Quarter; and
- (c) the volume of Profit Oil allocated to PetroleumBRUNEI shall be determined by subtracting the Profit Oil allocated to the Contractor under Article 12.4(b) from the total Profit Oil available for such Calendar Quarter.

*[Handwritten signatures]*

- (a) Where in a Calendar Quarter the Contractor has recovered from the Oil Cost Pool all of its Exploration Costs and Appraisal Costs incurred during the Exploration Period and the Market Value of Crude Oil as determined in accordance with Article 15.2 exceeds the base price of Crude Oil, the Contractor shall make an Excess Revenue Payment to PetroleumBRUNEI for every Barrel of the Contractor's share of Profit Oil for that Calendar Quarter, such Excess Revenue Payment being equivalent to [REDACTED] of the amount by which such Market Value exceeds the base price
- (b) For the purpose of Article 12.5(a), the initial base price of Crude Oil shall be [REDACTED] per Barrel.
- (c) On the first day of the Calendar Quarter immediately following the first anniversary of the Commencement Date the initial base price shall be increased or decreased, as the case may be, by the application of U.S. CPI.
- (d) Thereafter, on the date of each anniversary of such day, the base price that has been set for the relevant Agreement Year shall be increased or decreased, as the case may be, by application of U.S. CPI.

Article 12.6 Total Production of Natural Gas for each Calendar Quarter (or, if a Development and Production Period begins or ends during a Calendar Quarter, a part of such Calendar Quarter) shall be split as follows:

[REDACTED]

[REDACTED]

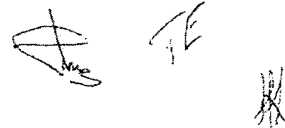
[REDACTED]

[REDACTED]

[REDACTED]

Article 12.7 Subject to Article 12.12, for any Calendar Quarter:

- (a) the volume of Cost Gas shall be such portion of the Natural Gas Cost Pool as is determined by dividing the Recoverable Costs by the Market Value;



- (b) if the Recoverable Costs shall exceed the Natural Gas Cost Pool, the unrecovered Recoverable Costs shall be carried forward for recovery out of the Cost Pool for the next succeeding Calendar Quarter and added to the Recoverable Costs expended in that Calendar Quarter until fully recovered; and
- (c) if the Cost Pool exceeds the amount of Cost Gas, the amount of the excess shall be allocated to Profit Gas.

Article 12.8 The volume of Profit Gas allocable to PetroleumBRUNEI and the Contractor for each Calendar Quarter shall be determined in the following manner:

(a) Profit Gas shall be split as follows:

Cumulative Total Production of Natural Gas	Contractor's Share	PetroleumBRUNEI's share
Less than or equal to 2 tcf	[REDACTED]	[REDACTED]
More than 2 tcf	[REDACTED]	[REDACTED]

- (b) the volume of Profit Gas allocated to the Contractor in any Calendar Quarter shall be determined by multiplying the Contractor's Profit Gas percentage shown in Article 12.8(a) above by the total volume of Profit Gas available for such Calendar Quarter; and
- (c) the volume of Profit Gas allocated to PetroleumBRUNEI shall be determined by subtracting the Profit Gas allocated to the Contractor under Article 12.8 (b) above from the total Profit Gas available for such Calendar Quarter.

Article 12.9 Excess Revenue Payment - Gas

- (a) Where in a Calendar Quarter the the Contractor has recovered from the Natural Gas Cost Pool all of its Exploration Costs and Appraisal Costs incurred during the Exploration Period and the value of the Adjusted JCC per Barrel exceeds [REDACTED] (the "Trigger Price"), the Contractor shall make an Excess Revenue Payment to PetroleumBRUNEI for each MMBtu of the Contractor's share of Profit Gas for that Calendar Quarter. The Excess Revenue Payment shall be equal to [REDACTED] of the difference by which

*[Handwritten signatures]*

Adjusted JCC exceeds the Trigger Price divided by the Conversion Metric, as set out below:

$$\text{ERP} = \text{CPG} \times \text{CV} \times \frac{0.5(\text{Adjusted JCC} - \text{Trigger Price})}{\text{Conversion Metric}}$$

Where:

ERP = Excess Revenue Payment (expressed in dollars);

CPG = Contractor's share of Profit Gas for that Calendar Quarter (expressed in Tcf);

CV = net calorific value of one cubic foot of gas, expressed in MMBtu;

Conversion Metric = the net calorific value of one barrel of JCC Crude Oil, expressed in MMBtu per barrel;

Within forty-five (45) working days of receipt by PetroleumBRUNEI of either (1) a Gas Marketing Plan under Article 10.4 or (2) an Appraisal Plan under Article 10.5, PetroleumBRUNEI and Contractor must agree upon values for both the CV and Conversion Metric using industry standard methods of evaluation (including, but not limited to, bomb calorimetry, oxygen bomb calorimetry or constant pressure calorimetry). Should both parties fail to reach agreement on these values, then this matter shall be referred to Expert Determination pursuant to the provisions of Article 30.

- (b) On the first day of the Calendar Quarter immediately following the first anniversary of the Commencement Date, the initial Trigger Price shall be increased or decreased, as the case may be, by the application of U.S. CPI.
- (c) Thereafter, on the date of each anniversary of such day, the Trigger Price that has been set for the relevant Agreement Year shall be increased or decreased, as the case may be, by application of U.S. CPI.
- (d) The Parties shall discuss and may agree a different Trigger Price where the circumstances so justify, it being acknowledged that the Contractor may wish to



seek a higher Trigger Price inter alia in the case of a stand-alone Development of Non-Associated Gas with comparatively high input costs.

**Article 12.10** Losses

- (a) The Contractor shall be responsible for all losses of Petroleum that occurs between the wellhead and the relevant Delivery Point and resulting from the Contractor's Gross Negligence/Wilful Misconduct. Without prejudice to PetroleumBRUNEI's other rights and remedies, PetroleumBRUNEI may, by notifying the Contractor at any time, cause any such loss to be applied to reduce the Contractor's share of Profit Oil or Profit Gas, as the case may be.
- (b) Any loss of Petroleum occurring between the wellhead and the relevant Delivery Point and resulting from any cause other than the Contractor's Gross Negligence/Wilful Misconduct shall be excluded from the calculation of Total Production of Petroleum.

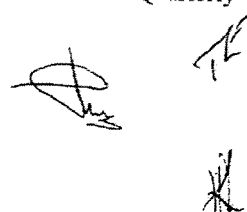
**Article 12.11** Title to:

- (a) Cost Gas;
- (b) Cost Oil;
- (c) the Contractor's share of Profit Gas; and
- (d) the Contractor's share of Profit Oil;

shall pass to the Contractor at the wellhead.

**Article 12.12** Where in any Calendar Quarter both Crude Oil and Natural Gas are in production, Article 12.3 and Article 12.7 shall be construed as applying in such a manner that a portion of the Recoverable Costs is recovered from:-

- (a) the Oil Cost Pool equal to the proportion the Crude Oil Quarterly Revenue bears to the total of the Crude Oil Quarterly Revenue and the Natural Gas Quarterly Revenue; and

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- (b) the Natural Gas Cost Pool equal to the proportion the Natural Gas Quarterly Revenue bears to the total of the Natural Gas Quarterly Revenue and the Crude Oil Quarterly Revenue.

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ARTICLE 13

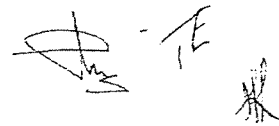
ROYALTY, TAXES AND BONUSES

Article 13.1 Pursuant to Article 12.2 and 12.6 the Contractor shall make available to PetroleumBRUNEI Royalty Oil and Royalty Gas.

Article 13.2 Tax

- (a) Each Contractor Party shall be severally liable to pay to the Government income tax in accordance with the Income Tax (Petroleum) Act (Cap. 119).
- (b) The calculation of the gross proceeds and chargeable profits of each Contractor Party for the purposes of the Income Tax (Petroleum) Act (Cap. 119) shall be done using Individual Market Value, calculated in accordance with the Accounting Procedures.
- (c) The rate of the assessable income tax levied in respect of Petroleum Operations under the Income Tax (Petroleum) Act (Cap. 119) is on the Commencement Date [REDACTED] without prejudice to any penalties payable under the Income Tax (Petroleum) Act (Cap. 119).
- (d) Except for the withholding tax in respect of payments of interest to non-residents under the Income Tax Act (Cap. 35), there is no withholding tax payable in respect of Petroleum Operations under Applicable Law on the Commencement Date.

Article 13.3 The Contractor shall within thirty (30) days after the Commencement Date make a bonus payment of [REDACTED] payable to the Government. This bonus payment shall be Non-Recoverable Costs.



## ARTICLE 14

### NATURAL GAS

Article 14.1 In relation to any Gas Holding Area and throughout the term of any Gas Holding Period the Contractor shall diligently perform the tasks described in the Gas Marketing Plan and using all reasonable efforts to identify or develop a Viable Market for Natural Gas during the course of the Gas Holding Period.

Article 14.2 Notwithstanding any other provision of this Agreement, the Contractor shall obtain PetroleumBRUNEI's written approval before using Natural Gas in Petroleum Operations by means of inter alia fuel, gas lift, storage, re-injection for pressure maintenance or recycling operations to effect maximum commercial recovery of Petroleum. For the avoidance of doubt, any Natural Gas so used in Petroleum Operations shall not be part of Total Production.

Article 14.3 Flaring

- (a) The Contractor shall minimise flaring of Natural Gas by means of re-injecting Associated Gas not needed in the conduct of Petroleum Operations and not capable of being produced commercially, into suitable underground strata or storage in accordance with Good Oilfield Practice.
- (b) The Contractor shall seek PetroleumBRUNEI's prior written approval to flare any Natural Gas that cannot be re-injected due to specific reservoir considerations or for other reasons that are accepted in Good Oilfield Practice.
- (c) Before any flaring, the Contractor shall use all reasonable endeavours to extract any natural gasoline and other liquids contained in Natural Gas, provided that such extraction is in the opinion of PetroleumBRUNEI and the Contractor commercially justifiable.
- (d) Notwithstanding this Article 14.3, the Contractor shall be allowed, without PetroleumBRUNEI's prior written approval, to flare Natural Gas in emergency circumstances caused by materially unsafe conditions and requiring immediate action, PROVIDED that:
  - (i) any such flared volumes of Natural Gas are kept to a minimum;

- (ii) the Contractor uses its best endeavours to bring such flaring to an end as soon as reasonably practicable; and
- (iii) the Contractor notifies PetroleumBRUNEI promptly after the commencement of any such flaring.

Article 14.4 Market Value of Gas

- (a) The Parties shall on an arm's length basis negotiate the sale of Natural Gas on a joint-dedicated basis (unless all Parties shall agree otherwise or a sale on a joint basis shall be prohibited by law) to a Natural Gas outlet with the objective of maximising the economic value of Natural Gas for the Parties at prices and on other terms which in the opinion of the Parties justify the Development, Production and delivery of Natural Gas to such outlet.
- (b) For purposes of this Agreement, the weighted average of the agreed prices actually obtained from such sales of Natural Gas during a Calendar Quarter shall constitute the Market Value of Natural Gas for such Calendar Quarter.

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## ARTICLE 15

### SALE AND OFFTAKE OF CRUDE OIL

#### Article 15.1

- (a) Subject to Article 16 and Article 25, each Contractor Party is authorised to market, sell, lift and export its own share of the Contractor's Entitlement to Crude Oil subject only to such restrictions (if any) on export (e.g. relating to the destination of sales) as may be established by Applicable Law.
- (b) Subject to the following provisions of this Article 15, PetroleumBRUNEI shall at the relevant Delivery Point offtake in kind the entire PetroleumBRUNEI's Entitlement to Crude Oil and may dispose of any such Crude Oil as it deems appropriate.

#### Article 15.2 Market Value of Crude Oil

- (a) Except for the purposes of Section 13 of the Accounting Procedures, Crude Oil shall be valued in US Dollars on the basis of a Market Value determined pursuant to this Article 15.2.
- (b) The Market Value of Crude Oil for any Calendar Quarter shall equal the weighted average price per Barrel multiplied by the aggregate volume of Crude Oil produced that Calendar Quarter.
- (c) The weighted average price per Barrel shall be determined from sales made by Contractor Parties of their respective shares of the Contractor's Entitlement during that month and be calculated on the following basis:
  - (i) for sales at the Market Price, the actual prices received; and
  - (ii) for all Non-Arm's Length Sales, the greater of the Reference Price on the date of the sale and the price actually received.

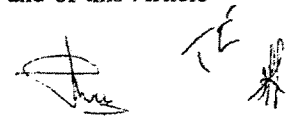
Article 15.3 Terms used in this Article 15 in relation to the valuation of Crude Oil shall have the following meaning:

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(a) "Arm's Length Sale" means, a sale of Petroleum by a Contractor Party to a Third Party, provided that any such sale:

- (i) is not part of any collusion (including inter alia between Contractor Parties, their Affiliates and/or Third Parties) intended to, or effectively resulting in, reduction in the price of such sale;
- (ii) is made in a freely convertible currency;
- (iii) does not involve barter or price discounts or setoffs and, more generally, is not motivated by considerations other than the usual commercial incentives in petroleum sales for cash; and
- (iv) is made on Standard Terms.

(b) "Market Price" means the net realised price per Barrel actually received by a Contractor Party as a result of the Arm's Length Sale of Crude Oil from the Agreement Area after making adjustments to reflect any differential between the terms of the sale and those of a sale F.O.B. at the Delivery Point, to cure the effect of any payment and credit terms unusual in F.O.B. Crude Oil sales made in accordance with the Good Oilfield Practice and after deducting any such costs (if any) as commissions and brokerage, expense of cargo inspection, survey, testing, measurement, assays and sampling of Crude Oil, all vessel freight and associated delivery costs including light dues, lightering, pilotage, demurrage, multi port discharge costs, port and agency costs, in-transit losses, insurance premiums (if any) incurred by the relevant Contractor Party on Charterer's Liability Insurance and Protection and Indemnity Insurance, and other expenses incurred by the Contractor Party in the marketing, sale and/or transportation of Crude Oil downstream of the Delivery Point (and after excluding any Recoverable Costs). In the case where the Contractor Party sells Crude Oil from the Agreement Area to an Affiliate, which in turn (and as near as practicable contemporaneously) carries out an Arm's Length Sale of such Crude Oil, the price received from such Arm's Length Sale (as adjusted, if applicable, pursuant to this Article 15.3(b)) shall be deemed to constitute the Market Price while the price received from such Affiliate shall be disregarded for purposes of Article 15.2(b) and of this Article 15.3(b).



- (c) "Non-Arm's Length Sale" means a sale of Petroleum by a Contractor Party to its Affiliate and any other sale of Petroleum by a Contractor Party which is not an Arm's Length Sale;
- (d) "Standard Terms" means in relation to any Arm's Length Sale of Crude Oil from the Agreement Area the following:
  - (i) the term of the sale contract is less than twelve (12) months; and
  - (ii) the Crude Oil price is not fixed for the term of the sale, but instead is pegged to the price of a specific type of Crude Oil(s) which is/are regularly published in a Reference Index.

Article 15.4 Calculation of Market Value

- (a) The Contractor shall in respect of each Calendar Quarter determine the Market Value and (if there have been Non-Arm's Length Sales of Crude Oil from the Agreement Area during such period), each Reference Price and the Contractor shall notify PetroleumBRUNEI of these within twenty (20) days of the end of such Calendar Quarter together with such calculations and other supporting evidence as PetroleumBRUNEI may reasonably require to review such determination.
- (b) Following notification, PetroleumBRUNEI shall within sixty (60) days notify the Contractor if it disagrees with the Contractor's determination and specify the basis for such disagreement, failing which the Market Value and Reference Prices for such Calendar Quarter, as notified to PetroleumBRUNEI by the Contractor pursuant to this Article 15.4(a) shall be deemed approved.
- (c) Should PetroleumBRUNEI notify the Contractor of that it disagrees with the Contractor's determination, the Parties shall meet and discuss in good faith the Contractor's determination. Should the Parties fail to reach agreement on the Market Value and/or Reference Price within one hundred and twenty (120) days of the end of the Calendar Quarter in question, the Parties shall submit the issue for determination by an Expert pursuant to Article 30.

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- (d) During the period between the end of a Calendar Quarter and the final determination (either by mutual agreement or through Expert determination) of the Market Value for such Calendar Quarter, the Contractor's proposed Market Value for such Calendar Quarter shall be deemed to apply. Any final Market Value determined subsequently for such Calendar Quarter shall be promptly applied to re-adjust the calculations made on the basis of the Contractor's proposed Market Value.
- (e) The Contractor shall until the Market Value is notified to PetroleumBRUNEI pursuant to Article 15.4(a), use such provisional Market Value as the Contractor shall determine and notify to PetroleumBRUNEI no later than ten (10) days before the beginning of such Calendar Quarter. Such provisional Market Value shall reflect as nearly as possible the Market Prices expected to be received in the relevant periods.

Article 15.5 Unless the Parties agree otherwise in writing, if Petroleum Operations involve a segregation of Crude Oil of different quality and/or other characteristics, this Article 15 regarding valuation of Crude Oil shall apply separately to volumes of Crude Oil thus segregated.

Article 15.6 Marketing by Contractor



- (a) Subject to PetroleumBRUNEI giving the Contractor one hundred and twenty (120) days notice in writing, the Contractor shall market, sell, lift and export all or part of PetroleumBRUNEI's Entitlement to Crude Oil. Any such notice served by PetroleumBRUNEI shall specify the Crude Oil volumes required to be marketed, sold, lifted and exported as well as the expected duration of such marketing arrangement.
- (b) No later than sixty (60) days after the date of PetroleumBRUNEI's notice under Article 15.6(a), the Parties shall agree the terms for the marketing arrangement.
- (c) If the Parties are unable to agree on the marketing arrangement, the Contractor shall implement the marketing plan forwarded by PetroleumBRUNEI provided that the Contractor may deduct all reasonable and justified costs arising from implementing such marketing plan from the sale revenues of PetroleumBRUNEI's Entitlement to Crude Oil.



Article 15.7 Offtake

- (a) Each of the Contractor Parties and PetroleumBRUNEI shall offtake their respective shares of the Entitlement to Crude Oil on a regular basis. Subject to Article 15.4, within thirty (30) days after the end of each Calendar Quarter, PetroleumBRUNEI and each Contractor Party shall finalise their respective shares of the Entitlement to Crude Oil for such Calendar Quarter and, if necessary, shall make appropriate adjustments to their respective shares of the Entitlement to Crude Oil in the next succeeding Calendar Quarter.
- (b) The procedure for adjustments to the Contractor Parties' respective shares of the Contractor's Entitlement to Crude Oil to account for reconciliation between the provisional Market Value used for such Calendar Quarter as referred to in Article 15.4(e) and the Market Value for such Calendar Quarter finally determined pursuant to Article 15.4 shall be detailed and mutually agreed by the Parties at least ninety (90) days before the First Commercial Production Date.

Article 15.8 The total Crude Oil liftings by each of the Contractor Parties and PetroleumBRUNEI during any Calendar Year shall be made in such a manner as to equal to the extent practicable their respective shares of the Entitlement to Crude Oil. To achieve this objective, each of the Contractor Parties and PetroleumBRUNEI shall no later than ninety (90) days before the First Commercial Production Date agree detailed arrangements for offtake procedures in respect of inter alia Crude Oil liftings, nomination procedures and tanker scheduling as well as a mutually acceptable method for balancing out overlift / underlift positions. If there is no agreed detailed arrangements on or before the stipulated date, PetroleumBRUNEI may suspend or postpone the First Commercial Production Date or any other production dates until the parties agree to a detailed arrangements on good faith and in accordance with Good Oilfield Practice.

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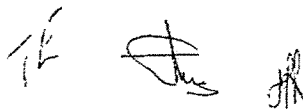
## ARTICLE 16

### EMERGENCY SUPPLY

Article 16.1 Upon a reasonable notice to the Contractor and in order to ensure Crude Oil supplies to the countries (other than Brunei Darussalam) which are from time to time members of ASEAN Council of Petroleum (ASCOPE) or its successor organisation in accordance with the Government's and/or PetroleumBRUNEI's commitments to supply Crude Oil to any such countries as a result of an agreement within ASCOPE or its successor organisation, PetroleumBRUNEI may require that the Contractor gives preference to selling the Contractor's Entitlement to Crude Oil to prospective buyers and/or customers of the Government and/or of PetroleumBRUNEI in such countries, as the case may be, PROVIDED that the price paid for Crude Oil so sold shall not be lower than the relevant Market Price or the Reference Price in the case where no relevant Market Price is available.

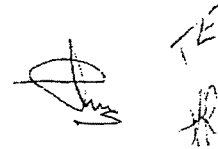
#### Article 16.2 War Event or Shortage

- (a) Subject to Article 16.3, upon either (i) a War Event or (ii) a Shortage Event the Government and/or PetroleumBRUNEI shall have the first right to purchase all or part of Crude Oil obtained from the Agreement Area in order to supply its domestic refining requirements provided that, in a Shortage Event, the Contractor is only obliged to supply Crude Oil under this provision only to the extent that such Crude Oil (or the refined product it is to be processed into) is required for domestic consumption in Brunei Darussalam.
- (b) The Contractor shall use its best endeavours to maintain and increase (provided that any such increase is consistent with Good Oilfield Practice) to the extent required by the Government and/or PetroleumBRUNEI, as far as reasonably possible with facilities that then exist the quantity of Crude Oil available for supply under this Article 16.2.
- (c) The price to be paid for up to twenty (20) per cent. of the Contractor's Entitlement to Crude Oil in any Calendar Quarter:



- (i) In a War Event shall equal twenty (20) per cent. of the relevant Market Price or the Reference Price in the case where no relevant Market Price is available. The price payable for any further volumes of the Contractor's Entitlement to Crude Oil supplied pursuant to this Article 16.2 shall equal the Market Price or the Reference Price in the case where no Market Price is available;
- (ii) in a Shortage Event shall equal ninety (90) per cent. of the relevant Market Price or the Reference Price in the case where no relevant Market Price is available. The price payable for any further volumes of the Contractor's Entitlement to Crude Oil supplied pursuant to this Article 16.2 shall equal the Market Price or the Reference Price in the case where no Market Price is available.

Article 16.3 The Contractor's obligation under this Article 16 to supply Crude Oil on a discounted basis following the occurrence of a War Event or a Shortage Event may not exceed the ratio that the Contractor's share of production of Crude Oil in the Calendar Quarter bears to the total production of Crude Oil in that Calendar Quarter in Brunei Darussalam

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## ARTICLE 17

### PROCUREMENT

Article 17.1 Subject to Article 17.5, all procurement of Goods and Services:

- (a) from a person which is a Brunei National, with a value in excess of one hundred thousand United States Dollars (USD 100,000); and
- (b) from a person which is not a Brunei National (including a person merely having a registered office in Brunei Darussalam but not being incorporated under the laws of Brunei Darussalam or having its headquarters or being domiciled in Brunei Darussalam), with a value in excess of five hundred thousand United States Dollars (USD 500,000),

shall be on an arm's length basis and shall, unless otherwise approved by PetroleumBRUNEI in writing, be obtained as a result of competitive bidding.

Article 17.2 The Contractor shall assist in the development of the economy and skills base of Brunei Darussalam. In doing so the Contractor shall in procuring Goods and Services seek to:

- (a) promote the transfer of non-proprietary technology from the Contractor or its subcontractors to firms and companies in Brunei Darussalam with the objective of developing local technical and managerial capabilities;
- (b) minimise the outflow of foreign currency; and
- (c) develop ancillary industries arising from Petroleum Operations to enhance the growth of the economy of Brunei Darussalam.

Article 17.3 Local Procurement

- (a) In conducting Petroleum Operations, the Contractor shall:
  - (i) give priority to Goods and Services produced in Brunei Darussalam or rendered by Bruneian nationals, provided that such Goods and Services are offered on terms competitive with those available on the international market particularly with

regard to quality, price and availability at the time and in the quantities required;

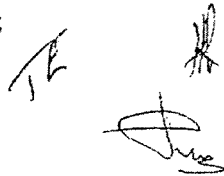
- (ii) in arranging financing for Petroleum Operations, seek to consult with financial institutions based in Brunei Darussalam (in particular Brunei national financial institutions) with a view to encouraging the participation (as part of a lender syndicate or otherwise) of such financial institutions in such financing.

(b) Along with each Work Programme and Budget the Contractor shall submit to PetroleumBRUNEI:

- (i) a report setting out the basis upon which the Contractor plans to evaluate bids for Goods and Services;
- (ii) a list of Goods and Services required for Petroleum Operations, which the Contractor considers are available in Brunei Darussalam;
- (iii) a list of Goods and Services required for Petroleum Operations, which the Contractor considers are not available in Brunei Darussalam;
- (iv) a list of the subcontractors the Contractor expects to engage during the forthcoming Calendar Year; and
- (v) its strategy for the award of contracts for Goods and Services in the forthcoming Calendar Year to Bruneian entities and its progress in maximising the use of Bruneian Goods and Services in the preceding Calendar Year.

(c) Upon receipt of the information described in Article 17.3(b) PetroleumBRUNEI shall at any time after the Commerciality Date be entitled to:

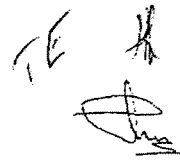
- (i) require the removal from the list referred to in Article 17.3(b)(iv) of any sub-contractor that PetroleumBRUNEI shall reasonably consider unsuitable or insufficiently qualified;

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- (ii) require the addition the list referred to in Article 17.3(b)(iv) of a sub-contractor that PetroleumBRUNEI shall deem to have the necessary skills, experience and resources to enable it to provide Goods and Services;
  - (iii) convene a meeting with the Contractor to consider which Goods and Services (including insurance) the Contractor considers are not available in Brunei Darussalam but which PetroleumBRUNEI considers existing local businesses may reasonably be capable of producing or rendering with some development and assistance from the Contractor.
- (d) Following a meeting convened pursuant to Article 17.3(c), the Contractor shall if requested by PetroleumBRUNEI submit a five (5) Calendar Year plan setting out its strategy for providing such assistance and for fulfilling its obligations under Article 17.2 in its overall contracting strategy.
- (e) The Contractor shall procure that its subcontractors comply with the provisions of Article 17.2 and Article 17.3(a) and that similar provisions shall be inserted in all contracts with its subcontractors entered into in connection with Petroleum Operations.

**Article 17.4 Procurement Rules**



- (a) The Contractor shall obtain PetroleumBRUNEI's prior written approval before entering into a Material Contract not included or provided for in an Approved Work Programme and Approved Budget. No such prior approval shall be required for Material Contracts that have been so included.
- (b) Before inviting any tender for a Material Contract, the Contractor shall submit to PetroleumBRUNEI a list of bidders which the Contractor proposes to invite to tender and a statement confirming:
  - (i) that the Material Contract is provided for in the relevant Approved Work Programme and Approved Budget;
  - (ii) the estimated value of the tender and/or contract; and

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- (iii) the contracting schedule.
- (c) In addition to the above, if so requested by PetroleumBRUNEI, the Contractor shall also submit to PetroleumBRUNEI:
  - (i) the proposed invitation to tender;
  - (ii) the technical specifications and the scope of work
  - (iii) a list of subcontractors being invited to tender; and
  - (iv) a draft of the contract that the Contractor proposes to enter into with the successful sub-contractor.
- (d) PetroleumBRUNEI may require that the list of subcontractors being invited to tender be amended to include additional persons which are accredited by PetroleumBRUNEI as well as financially sound and technically competent.
- (e) Subject always to its obligations in Article 17.2 and Article 17.3(a), the Contractor shall evaluate all bids received in response to an invitation to tender for a Material Contract on the basis of cost and operational and technical acceptability.

Article 17.5 Deemed Approval and Emergencies


- (a) Any PetroleumBRUNEI approval required under this Article 17 shall be deemed to have been granted, if within thirty (30) days after the Contractor's application, PetroleumBRUNEI has neither (i) given its written approval nor (ii) notified the Contractor that PetroleumBRUNEI does not approve and the reasons for such decision.
- (b) In extraordinary or emergency circumstances requiring immediate action, the Contractor may enter into a Material Contract notwithstanding that the requirements of Article 17.4 have not been complied with, provided that PetroleumBRUNEI is promptly advised of such circumstances and Material Contract and further provided that such Material Contract is one that a Reasonable and Prudent Operator might reasonably be expected to enter into in responding to the extraordinary or emergency circumstances in question.

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Article 17.6

PetroleumBRUNEI and the Contractor shall from time to time review the practical application of this Article 17 and consider any changes required to improve its efficient operation.



ARTICLE 18

RESEARCH AND DEVELOPMENT CONTRIBUTION

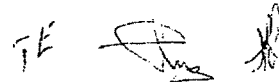
Article 18.1 The Contractor shall pay to PetroleumBRUNEI a research and development contribution of two percent (2%) of the Market Value of:

- (a) Cost Oil;
- (b) the Contractor's share of Profit Oil;
- (c) Cost Gas; and
- (d) the Contractor's share of Profit Gas.

Article 18.2 Said contribution shall be payable within thirty (30) days from the end of each Calendar Quarter in which the Contractor sells the relevant volumes of Cost Oil, Cost Gas, Profit Oil and Profit Gas.

Article 18.3 All research and development contribution payments made hereunder shall be Non-Recoverable Costs, but shall, in accordance with Section 12.3(b)(ii) of the Accounting Procedures, be deductible for purposes of income tax payable in accordance with the Income Tax (Petroleum) Act (Cap. 119).

Article 18.4 The Contractor may by written notice to PetroleumBRUNEI request that a research and development project it is undertaking be accepted in lieu of all or part of research and development contribution payment.

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ARTICLE 19

PAYMENTS AND CURRENCY MATTERS

Article 19.1 Payments

- (a) All payments made between PetroleumBRUNEI (or the Government, as the case may be) and the Contractor under this Agreement shall be in US Dollars or any other currency mutually agreed in writing by the Parties, to the bank account(s) designated by the Party receiving such payment.
- (b) Where a payment is made in a currency other than US Dollars, such payment shall be converted into US Dollars for purposes of the Petroleum Account on the basis of the rate actually experienced in that conversion. If no currency conversion has actually occurred, then:
  - (i) a currency translation into US Dollars in respect of a transaction neither stated nor settled in Brunei Dollars, shall be recorded at the midpoint of the closing buying and selling rates published in the Financial Times in London or in another mutually agreed independent publication on the last day for which such rates were so published prior to the date on which the relevant transaction occurred; and
  - (ii) a currency translation into US Dollars in respect of a transaction stated or settled in Brunei Dollars, shall be recorded at the midpoint of the closing buying and selling rates quoted by the HSBC Bank in Brunei Darussalam (based on the Brunei Association of Banks board rate) or published in a mutually agreed independent publication on the last day for which such rates were so quoted or published prior to the date on which the relevant transaction occurred.
- (c) Where so requested by PetroleumBRUNEI or any Government agency in accordance with Applicable Law, the Contractor shall promptly prepare and deliver to PetroleumBRUNEI or such Government agency, as the case may be, any part of the Petroleum Account relating to a payment

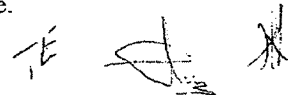
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referred to in Article 19.1(a) translated into Brunei Dollars at the midpoint of the buying and selling rates quoted by the HSBC Bank in Brunei Darussalam (based on the Brunei Association of Banks board rate) or published in a mutually agreed independent publication on the last day for which such rates were so quoted or published in the Calendar Quarter to which the relevant part of the Petroleum Account relates.

Article 19.2 Currency Matters

In performing its obligations under this Agreement, the Contractor shall subject to Applicable Law have the following rights:

- (a) the right to receive, retain and dispose of, within or outside Brunei Darussalam, the entirety of proceeds received from selling the Contractor's Entitlement or from other Petroleum Operations;
- (b) the right to convert and exchange any of its funds into Brunei dollars or any foreign currency;
- (c) the right to import and export any of its funds (including all of its capital, loan principal, profits and other income, such as fees earned from shared facilities, arising out of Petroleum Operations) in Brunei dollars or any foreign currencies to and from Brunei Darussalam; and
- (d) the right to maintain and operate bank accounts within or outside Brunei Darussalam in whatever currencies it may choose.

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## ARTICLE 20

### ASSISTANCE PROVIDED BY PETROLEUMBRUNEI

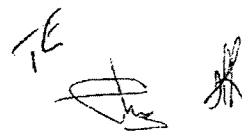
Article 20.1 PetroleumBRUNEI hereby agrees, subject to the constraints of its constitutional powers and there being no conflict with any other duties imposed on it by Applicable Law, to provide the Contractor with such assistance as it may reasonably request in obtaining:

- (a) all necessary permissions including rights of way and easements, visas for the Contractor's personnel and those of its subcontractors who come to Brunei Darussalam in connection with Petroleum Operations;
- (b) land within Brunei Darussalam for installations and such other purposes as may be agreed by the Parties to be necessary for Petroleum Operations;
- (c) all required Government approvals, permits and clearance authorisations to enable the Contractor and its subcontractors to carry out Petroleum Operations;
- (d) access on fair and reasonable terms to any existing transportation, processing or sales facilities and infrastructure in Brunei Darussalam for any Petroleum produced pursuant to this Agreement;
- (e) such rights outside Brunei Darussalam in connection with a unitisation process under Article 11 as may be reasonably requested by the Contractor; and
- (f) the rights specified in Article 5.1(f) and Article 5.1(g),

provided that nothing in this Article shall (i) impose any obligation on PetroleumBRUNEI to actually obtain any such approvals or rights or (ii) relieve the Contractor from an obligation to pay any fees or costs thereof.

Article 20.2 Assistance Payment

- (a) In consideration of PetroleumBRUNEI's assistance pursuant to Article 20.1, the Contractor shall pay to PetroleumBRUNEI:

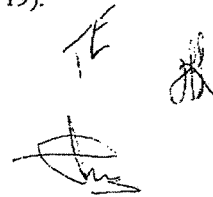
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(i) three hundred thousand US Dollars (US\$300,000) per year during the Exploration Period; and

(ii) two hundred thousand US Dollars (US\$200,000) thereafter,

such payments to be made within thirty (30) days of the Commencement Date in the first Agreement Year and thereafter prior to 30 January each Calendar Year.

(b) Any such payments shall be considered Non-Recoverable Costs, but shall, in accordance with Section 12.3(b)(iii) of the Accounting Procedures, be deductible for purposes of income tax payable in accordance with the Income Tax (Petroleum) Act (Cap. 119).

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## ARTICLE 21

### OWNERSHIP OF PROJECT ASSETS

#### Article 21.1 Transfer of Title

All Project Assets which are purchased or created by the Contractor for use in Petroleum Operations and are, as of the First Commercial Production Date, located in Brunei Darussalam or brought within the jurisdiction of Brunei Darussalam at any time after such date, shall become property of, and title thereto shall pass to, PetroleumBRUNEI.

#### Article 21.2 Use of Project Assets

- (a) The Contractor shall have the sole right to use Project Assets for conducting Petroleum Operations free of charge for the duration of the Term.
- (b) The prior written approval of PetroleumBRUNEI shall be required for any use of any Project Assets other than in Petroleum Operations.
- (c) If PetroleumBRUNEI wishes to use any Project Assets it may do so after consulting with the Operator, provided that such use does not unreasonably interfere with the performance of Petroleum Operations in the Agreement Area and such use shall be at PetroleumBRUNEI's sole risk and expense.

#### Article 21.3 Disposal of Project Assets

- (a) Prior written approval of PetroleumBRUNEI shall be required for any disposals of Project Assets.
- (b) The Contractor shall promptly notify PetroleumBRUNEI of all planned disposals of Project Assets. For the purpose of this Article, any transfer of Project Assets to any place outside the Agreement Area other than that for the purpose of repair, upgrade, maintenance and emergencies shall be deemed to be a disposal of such Project Assets.

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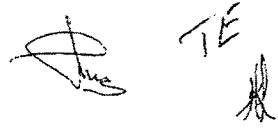
- (c) The Contractor shall have a right of first refusal to purchase any Project Assets, the title to which has become vested in PetroleumBRUNEI in accordance with Article 21.1, and which PetroleumBRUNEI elects to sell. The price payable to PetroleumBRUNEI shall be the market value of such Project Assets.
- (d) Should the Contractor sell any Project Assets in which title has passed to PetroleumBRUNEI pursuant to Article 21.1 the proceeds of sale (after deduction of the costs of sale) shall, to the extent the Recoverable Costs of such Project Assets have not been fully recovered out of Cost Pool at the time of such sale be credited to the Petroleum Account. Any remaining proceeds shall be paid to PetroleumBRUNEI no later than fourteen (14) working days after receipt of such proceeds from the purchaser.

Article 21.4 The following types of Project Assets shall not transfer to PetroleumBRUNEI pursuant to Article 21.1:

- (a) those owned by Third Parties engaged as subcontractors by the Contractor and imported into Brunei Darussalalm on a temporary basis;
- (b) those acquired by the Contractor from Third Parties for use in Petroleum Operations on a "sale or return" basis which the Contractor shall have the right to return to the supplier; and
- (c) those leased to the Contractor by Third Parties for use in Petroleum Operations,

subject to any net restocking proceeds from goods purchased on a "sale or return" basis and any residual value obtained from early termination or premature surrendering of a lease being allocated as provided in Article 21.3(d).-

Article 21.5 The Contractor shall maintain all Project Assets in good working condition at all times subject to reasonable wear and tear. Unless otherwise agreed by PetroleumBRUNEI in writing, all Project Assets subject to transfer to PetroleumBRUNEI pursuant to Article 21.1 shall be free of all liens, security interests and encumbrances.

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## ARTICLE 22

### REPORTS, ACCOUNTS AND AUDITS

#### Article 22.1 Operational Reporting

In accordance with Good Oilfield Practice, the Contractor shall keep PetroleumBRUNEI regularly and fully informed of all Petroleum Operations and shall promptly provide PetroleumBRUNEI with data, samples, information, interpretations and reports, including progress and completion reports reasonably required by PetroleumBRUNEI. Such information shall include:

- (a) raw and processed seismic data and interpretations thereof;
- (b) well data, including daily drilling reports, electric logs and other wireline surveys, mud logging reports and logs, samples of cuttings and cores and analyses thereof;
- (c) all reports prepared from drilling data or geological or geophysical data, including completed maps or illustrations derived therefrom;
- (d) all well completion and well testing reports;
- (e) reports dealing with location surveys and all other reports regarding well, treating plant or pipeline locations;
- (f) reservoir investigations and estimates regarding reserves, field limits and economic evaluations relating to future Petroleum Operations;
- (g) such reports on Petroleum Operations as may be requested by the Government;
- (h) contingency programs and reports dealing with environmental matters, safety and accidents;
- (i) design drawings, criteria, and specifications and construction records;
- (j) reports of technical audits and studies relating to Petroleum Operations;

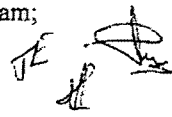
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- (k) reports of all other investigations based on data from the Agreement Area; and
- (l) all other information or reports which may be required by the Accounting Procedure.

Article 22.2 Other Reporting

In addition, the Contractor shall prepare and deliver to PetroleumBRUNEI:

- (a) No later than sixty (60) days following the end of each Calendar Year, a report covering Petroleum Operations performed in the Agreement Area during such Calendar Year, such report to include:
  - (i) a statement showing all wells drilled, the depth of each such well, and a map on which drilling locations are indicated;
  - (ii) a statement of the estimated quantities of Petroleum, fresh water layers or significant quantities of other minerals encountered;
  - (iii) a general summary of all Petroleum Operations in the Agreement Area;
  - (iv) a statement of the number of employees or consultants engaged in Petroleum Operations in Brunei Darussalam, identified by nationality; and
  - (v) a statement on the estimated Petroleum reserves remaining to be recovered and the underlying analysis related to this statement.
- (b) within thirty (30) days of a rig having been released from a drilling location, a report which containing all available relevant Data and a statement whether or not the drilling of the Exploration Well and any subsequent testing resulted in a discovery of Petroleum of potential interest;
- (c) within sixty (60) days from the end of each Calendar Quarter, details of Goods and Services sourced from persons in Brunei Darussalam;



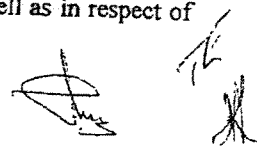
- (d) within thirty (30) days of the end of each Calendar Quarter a form showing all purchases, transfers and disposals of any Project Assets during that Calendar Quarter;
- (e) copies of such agreements with subcontractors as PetroleumBRUNEI shall reasonably request; and
- (f) at PetroleumBRUNEI's request after the completion of a Material Contract a completion report on the project including details of the actual expenditures and such other information as PetroleumBRUNEI shall reasonably request.

Article 22.3 Petroleum Account

- (a) The Operator shall in accordance with the terms of this Agreement (including the Accounting Procedures), Good Oilfield Practice and International Accounting Standards (IAS) prepare and keep at the Operator's office in Brunei Darussalam, separate and complete accounts (including all books, records, statements, invoices, cash vouchers, debit notes, payrolls, timesheets and other documents, correspondence, records as well as all reports prepared and delivered pursuant to Section 2 of the Accounting Procedures) of all charges (including all Costs) and credits in respect of all Petroleum Operations (the "**Petroleum Account**").
- (b) As part of the Petroleum Account, the Contractor shall prepare and keep a separate and complete register of all fixed assets acquired and held for use in Petroleum Operations.

Article 22.4 Non Operator's Accounts

- (a) Each of the Contractor Parties other than the Operator shall in accordance with the Terms of this Agreement (including the Accounting Procedures) and Good Oilfield Practice prepare and keep complete accounts (including all books, records, statements and other financial and accounting records (but excluding the Petroleum Account) in respect of all transactions and joint venture activities relevant to sales and other disposals of Petroleum from the Agreement Area as well as in respect of



any costs and expenses referred to in Section 13.3(b)(iv) of the Accounting Procedures (the "Joint Venture Account").

- (b) If any Contractor Party does not maintain the Joint Venture Account in Brunei Darussalam, it shall upon reasonable prior written notice from PetroleumBRUNEI arrange for a copy of the Joint Venture Account to be delivered to PetroleumBRUNEI's registered office address in Brunei Darussalam.

Article 22.5 Access and Audit

- (a) PetroleumBRUNEI shall have the right to access the Petroleum Account and Joint Venture Account at any reasonable times and upon reasonable prior notice and to make copies thereof. If requested by PetroleumBRUNEI, the Contractor shall provide reasonable assistance and logistical support (including suitable office space, equipment, stationery and other like resources) to PetroleumBRUNEI.
- (b) PetroleumBRUNEI shall in accordance with Section 3.1 of the Accounting Procedures have the right to audit the Petroleum Account for any Calendar Year and to require each Contractor Party other than the Operator to procure the production of an audit report in relation to such Contractor Party's Joint Venture Account.

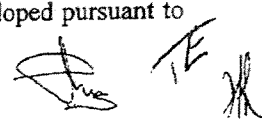
Article 22.6 The audit requirements in Article 22.5(b) are in addition to any audit and other requirements that may be applicable to Contractor Parties under the Companies Act (Cap. 39)(e.g. section 131), the Income Tax (Petroleum) Act (Cap. 119) (e.g. sections 21 and 24) and/or the Income Tax Act (Cap. 35) (e.g. sections 55 and 55A).

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## ARTICLE 23

### EMPLOYMENT AND TRAINING

- Article 23.1 For the purposes of this Article 23 only, the term "Brunei National" shall only include natural persons who are citizens of Brunei Darussalam.
- Article 23.2 The Operator shall offer a mutually agreed number of Bruneian nationals the opportunity for on-the-job training and practical experience in Petroleum Operations during the Exploration Period.
- Article 23.3 Not later than six (6) months after the Commerciality Date the Operator shall:
- (a) meet with PetroleumBRUNEI to review the Operator's proposals regarding the number, expertise and qualifications of the staff to be employed at the Operator's office in Brunei Darussalam which the Operator considers appropriate to fulfil the Contractor's obligations under this Agreement;
  - (b) in consultation with PetroleumBRUNEI, establish and implement training programmes for staff positions in each phase and level of Petroleum Operations including skilled, technical, executive and management positions, with a view to ensuring employment of Bruneian nationals and gradual and progressive reduction of foreign personnel; and
  - (c) diligently undertake an extensive hiring program, with the objective to engage qualified Bruneian nationals at all levels of Petroleum Operations, including in key technical and managerial roles.
- Article 23.4 During the Development and Production Period, the Operator shall:
- (a) continue to employ and train Bruneian nationals at every level of Petroleum Operations. The Operator's objective shall be to ensure that the number of Bruneian nationals employed in Petroleum Operation is consistent the Operator's localisation programmes developed pursuant to Article 23.3;

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- (b) where appropriate opportunities exist accept secondees proposed by PetroleumBRUNEI;
- (c) minimise the employment of expatriates by ensuring that such personnel are employed in positions for which it has not been possible to find a suitably qualified Bruneian national; and
- (d) obtain PetroleumBRUNEI's written consent prior to retaining any expatriate personnel such consent not to be unreasonably withheld subject to the Contractor providing PetroleumBRUNEI with written reasons which are reasonably satisfactory to PetroleumBRUNEI as to why the Contractor is unable to find a suitably qualified Brunei National to fill the relevant vacancy. PetroleumBRUNEI will respond to any application made by the Contractor pursuant to this Article 23.4(d) within thirty (30) days of such application being made provided that:
  - (i) PetroleumBRUNEI may, acting in its absolute discretion, extend such period for a further thirty (30) days by providing prior written notice of such extension to the Contractor;
  - (ii) if PetroleumBRUNEI requires more than sixty (60) days in which to make a decision in respect of an application made by the Contractor pursuant to this Article 23.4(d), it will, prior to the expiry of the second thirty (30) day period referred to in Article 23.4(d)(ii), provide a written request to the Contractor for an additional period of time in which to make its decision (such request to provide reasonable detail to the Contractor of the reasons for PetroleumBRUNEI seeking such extension); and
  - (iii) the Contractor may:
    - (A) not unreasonably withhold its consent to an application made by PetroleumBRUNEI pursuant to Article 23.4(d)(ii);
    - (B) in providing its consent to an application made by PetroleumBRUNEI pursuant to Article 23.4(d)(ii), impose a



reasonable deadline upon PetroleumBRUNEI by which time  
PetroleumBRUNEI's decision must be made;

- (iv) in the event PetroleumBRUNEI withholds consent to any  
expatriate personnel it shall provide its reasons for doing so in  
writing.

Article 23.5

Upon execution of this Agreement and at such time as shall be determined by  
PetroleumBRUNEI, both the Operator and PetroleumBRUNEI shall reasonably  
endeavour, acting in good faith, to arrive at mutually agreeable terms concerning  
the creation of a scholarship and training program for the benefit of Brunei  
Nationals, to be established within Canada. Such individuals will receive  
training, expertise and tuition in general petroleum industry practices, including,  
but not limited to, techniques and methods involved in Exploration, Development  
and Production Operations. The cost of establishing and maintaining such  
program will be born by the Contractor according to the following schedule:

- (a) Exploration Phase: No less than [REDACTED]  
[REDACTED] per annum; and
- (b) Development and Production Phase: No less than [REDACTED]  
[REDACTED] per annum.

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ARTICLE 24

PARTICIPATION

- Article 24.1 PetroleumBRUNEI shall have the right at any time to acquire a Participating Interest of up to fifteen percent (15%) (the "PB Interest").
- Article 24.2 The PB Interest shall be free of any liens or security interests and shall be carried throughout the Exploration Period. The Contractor shall be solely responsible for all Exploration Costs incurred in connection with the PB Interest.
- Article 24.3 PetroleumBRUNEI shall exercise its right to acquire the PB interest by delivering to the Contractor a notice (the "Participation Notice") specifying:
- (a) the date of the Participation Notice;
  - (b) the amount (expressed as a percentage) of the PB Interest that PetroleumBRUNEI wishes to acquire; and
  - (c) whether the PB Interest so specified should be transferred to PetroleumBRUNEI or to any of its Affiliates and, if the latter, the name and address of the designated Affiliate (such transferee being the "PB Holder")..
- Article 24.4 Completion of PetroleumBRUNEI's acquisition of the PB Interest shall occur on the date (the "Participation Completion Date") falling thirty (30) days after the service of the Participation Notice when the Parties shall execute, in a form reasonably acceptable to PetroleumBRUNEI:
- (a) a deed of assignment whereby each Contractor Party transfers to PetroleumBRUNEI its pro rata share of the PB Interest; and
  - (b) a deed of adherence pursuant to which PetroleumBRUNEI shall become a party to the Joint Operating Agreement which shall provide for such amendments (if any) to the Joint Operating Agreement as PetroleumBRUNEI shall consider reasonably necessary.
- Article 24.5 If the Participation Completion Date shall occur after the Contractor has incurred any Appraisal Costs or Development Costs PetroleumBRUNEI shall pay its pro



rata share of such costs and such payment shall be allocated amongst the Contracting Parties pro rata to the Participating Interests they held immediately prior to the Participation Completion Date.

Article 24.6 Following the Participation Completion Date, PetroleumBRUNEI shall pay its pro rata share of all Appraisal and Development Costs.


Article 24.7 The Contractor shall if so requested by PetroleumBRUNEI either:

- (a) assist PetroleumBRUNEI to identify sources of third party financing to assist PetroleumBRUNEI to meet its obligations pursuant to Article 24.5 and Article 24.6; or
- (b) permit PetroleumBRUNEI to defer payment of its liabilities pursuant to Article 24.6 until after the First Commercial Production Date and thereafter to repay these out of the proceeds of sale from eighty per cent (80%) of PetroleumBRUNEI's entitlement of Profit Oil and Profit Gas.

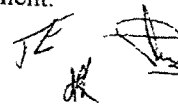
Article 24.8 If, under Article 24.7, acting reasonably and in accordance with the standards of Good Oilfield Practice, the Contractor seeks debt finance (a "Contractor Loan") in order to allow PetroleumBRUNEI to defer payment of its liabilities pursuant to Article 24.7 until after the First Commercial Production Date, the Contractor shall be entitled to include the interest on such Contractor Loan as Recoverable Costs the rate of interest charged on the loan by an internationally recognised financial institution acting on an arm's length basis taken on an average annual basis for the rate for the relevant Agreement Year, provided that such financial institution referred to in Article 24.8 shall have a credit rating from an internationally recognised rating agency equivalent to a Standard & Poors rating of not less than AA and that such interest shall be calculated annually, compounded annually.

Article 24.9 After the Participation Completion Date:

- (a) PetroleumBRUNEI shall:
  - (i) enjoy all the benefits of the PB Interest (including its rights under the Joint Operating Agreement);



- (ii) subject to Article 24.2 meet all Appraisal, Development and Operating costs relating to the PB Interest; and
- (iii) fulfil its obligations under the Joint Operating Agreement.

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## ARTICLE 25

### DOMESTIC SUPPLY AND DOWNSTREAM OPERATIONS

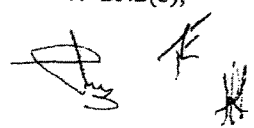
Article 25.1

The Contractor recognises the aspiration of Brunei Darussalam to develop domestic downstream petroleum industries including the need to ensure national self-sufficiency and security of supply in respect of petroleum products in Brunei Darussalam.

Article 25.2

In recognition of the objectives mentioned in Article 25.1 and in accordance with its obligations under Article 14.1 the Contractor agrees:

- (a) upon request to meet with PetroleumBRUNEI to discuss ways of co-operating in the areas of domestic Crude Oil refining, Natural Gas processing and liquefaction, and/or petrochemical industry in Brunei Darussalam; and
- (b) provide a reasonable and independently verifiable estimate of the costs (the "Study Costs") to conduct a feasibility study (a "Study") into the possible establishment of one or more petrochemical industry(ies) in Brunei Darussalam; and
- (c) if, taking into account the Study Costs, PetroleumBRUNEI decides to proceed with the Study such Study Costs will be shared as between the Contractor and PetroleumBRUNEI on a basis to be agreed as between the Contractor and PetroleumBRUNEI but subject to Contractor's share of the Study Costs:
  - (i) being at least eighty (80) per cent. of the total of the Study Costs; and
  - (ii) being Recoverable Costs
- (d) if the Contractor and PetroleumBRUNEI cannot reach an agreement on how to share the Study Costs pursuant to Article 25.2(c) within thirty (30) days of the Contractor providing PetroleumBRUNEI with the value of the Study Costs being provided to it pursuant to Article 25.2(b),



PetroleumBRUNEI will be free to approach third parties to undertake the Study and any project resulting from such Study.

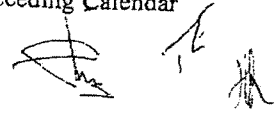
Article 25.3 PetroleumBRUNEI will use all reasonable endeavours to consult with the Government to procure that the Contractor may, at its option, have a right to participate in the implementation any petrochemical project which is subject of a Study provided that the Contractor has satisfied its obligations under Article 25.2(c)(i).

Article 25.4 Domestic Supply Obligation

- (a) Subject to Article 25.4(c), PetroleumBRUNEI may by notice in writing require the Contractor to make available to PetroleumBRUNEI or to one of its designees for consumption within Brunei Darussalam a quantity of Petroleum equal to ten percent (10%) of the Contractor's share of Profit Oil and Profit Gas;
- (b) The Contractor shall procure that the quantities of Crude Oil and Natural Gas supplied by the Contractor for domestic consumption under Article 25.4(a) shall be made available to PetroleumBRUNEI or PetroleumBRUNEI's designee, as the case may be, at the Delivery Point or such other place as the Parties may agree in writing.
- (c) The Contractor's obligation to supply Crude Oil pursuant to Article 25.4(a) is limited to the extent that such Crude Oil, and any products derived from such Crude Oil, is consumed within Brunei Darussalam.

Article 25.5 Domestic Supply Prices

The prices payable for Natural Gas and Crude Oil supplied in any Calendar Quarter by the Contractor pursuant to Article 25.4(a) shall be a price equal to ninety (90) per cent. of its Market Price for the immediately preceding Calendar Quarter.



ARTICLE 26

INSURANCE AND INDEMNITIES

Article 26.1

The Contractor shall, during the term of this Agreement, maintain and obtain insurance coverage for and in relation to Petroleum Operations for such amounts and against such risks as is required by Applicable Law and that are customarily or prudently insured in the international petroleum industry in accordance with Good Oilfield Practice and shall furnish to PetroleumBRUNEI, certificates evidencing that such coverage is in effect. Such insurance policies shall include PetroleumBRUNEI as additional insured and shall waive subrogation against PetroleumBRUNEI. The said insurance shall, without prejudice to the generality of the foregoing, cover:

- (a) loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with Petroleum Operations; provided, however, that if for any reason the Contractor fails to insure any such installation, equipment or assets, it shall replace any loss thereof or repair any damage caused thereto;
- (b) loss, damage or injury caused by pollution in the course of or as a result of Petroleum Operations;
- (c) loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor may be liable;
- (d) any claim for which PetroleumBRUNEI may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor is liable to indemnify PetroleumBRUNEI or the Government;
- (e) with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations;

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- (f) the Contractor's and/or the Operator's liability to its employees and/or consultants engaged in Petroleum Operations;
- (g) loss arising out of a failure to control a well; and
- (h) loss of all Petroleum up to the Delivery Point.

Article 26.2

The Contractor shall require its subcontractors to obtain and maintain insurance against the risks referred to in Article 26.1 (except Article 26.1(h)) relating mutatis mutandis to such subcontractors.

Article 26.3

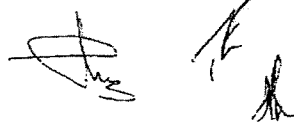
The insurance cover required under Article 26.1 shall be obtained either from:

- (a) local Islamic insurance institutions providing takaful insurance schemes; or
- (b) if such cover shall not be available on terms that are competitive on premium and level of cover, from reputable international insurer(s).

Article 26.4

Claims

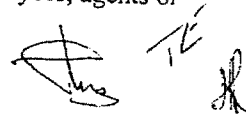
- (a) The Contractor shall use its best endeavours to pursue any insurance claims.
- (b) Following the loss of, or damage to, any Project Assets insured under Article 26.1(a) against such loss or damage the Operator shall determine whether the relevant Project Assets should be replaced, repaired or abandoned. If the Operator decides to repair or replace, it shall do so promptly.
- (c) If the Contractor decides to neither repair nor replace, then all proceeds of the relevant insurance claim shall, to the extent the Recoverable Costs of the relevant Project Assets have not been fully recovered at the time of the loss or damage, credited to the Petroleum Account against Recoverable Costs in accordance with the Accounting Procedures. Any remaining insurance proceeds shall be paid to PetroleumBRUNEI no later than fourteen (14) working days from the date of receipt of such insurance proceeds.



- (d) In the case of a loss of any Petroleum produced from the Agreement Area the proceeds of the relevant insurance coverage shall be considered as sales revenue and shall be subject to the revenue allocation provisions of this Agreement.

Article 26.5

The Contractor shall indemnify defend and hold harmless the Government and PetroleumBRUNEI from and against any loss, damages or liability of any kind whatsoever arising in connection with any Petroleum Operations conducted by or on behalf of the Contractor irrespective of any Gross Negligence/Wilful Misconduct or breach of duty on the part of PetroleumBRUNEI and/or any of its Affiliates and/or subcontractors and/or any of their officers, employees, agents or servants.

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ARTICLE 27

HEALTH, SAFETY, ENVIRONMENT AND ABANDONMENT

Article 27.1 The Contractor shall comply with Applicable Law and Good Oilfield Practice in relation to all health, safety and environmental issues as well as PetroleumBRUNEI's reasonable instructions given for the purpose of maintaining health and safety of personnel, the community and the environment in the area of Petroleum Operations.

Article 27.2 The Contractor shall cause a person or persons with special knowledge on environmental matters, to carry out an environmental impact study in order:

- (a) to determine at the time of the studies the prevailing situation relating to the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas; and
- (b) to establish the likely effect on the environment, human beings and local communities, the flora and fauna in the Agreement Area and in the adjoining or neighbouring areas in consequence of the relevant phase of Petroleum Operations to be conducted under this Agreement and to submit for consideration by PetroleumBRUNEI the methods contemplated by the Contractor for minimising environmental damage and carrying out Site Restoration activities. The costs of such study shall be Recoverable Costs.

Article 27.3 The Contractor shall not dispose of within Brunei Darussalam any toxic and/or hazardous materials without the prior written consent of PetroleumBRUNEI.

Article 27.4 The Contractor shall not, without the prior written consent of PetroleumBRUNEI, operate in natural reserves, national parks, marine sanctuaries, protected areas, and any areas defined as protected and/or restricted areas by the Government.

Article 27.5 Abandonment





- (a) Upon the expiry of the Term and/or the relinquishment of any part of the Agreement Area pursuant to Article 4, the Contractor shall undertake Site Restoration of those parts of the Agreement Area affected by Petroleum Operations.
- (b) Prior to the First Commercial Production Date, PetroleumBRUNEI and the Contractor shall agree upon a comprehensive plan and an estimate of associated cost of carrying out Site Restoration of each area in which the Contractor proposes to carry out Petroleum Operations (the "Abandonment Plan").
- (c) All Site Restoration shall be performed in accordance with Good Oilfield Practice and the relevant Approved Work Programme and Approved Budget, the Abandonment Plan (if any) and Applicable Law.
- (d) Upon completion of any Site Restoration the Contractor shall notify PetroleumBRUNEI. Once PetroleumBRUNEI is satisfied that a Site Restoration meeting the required standards has been completed, it shall notify the Contractor thereof in writing, whereupon the Contractor shall be deemed to have fulfilled its Site Restoration obligations hereunder;
- (e) All Site Restoration costs shall be Recoverable Costs, unless such costs are funded from the Abandonment Fund.

Article 27.6 Abandonment Fund

- (a) On or before the First Commercial Production Date, PetroleumBRUNEI and the Contractor shall jointly establish, maintain and administer a special abandonment and removal fund deposited into a specific interest-bearing escrow US Dollar account in Brunei Darussalam and dedicated to funding the costs of Site Restoration (the "Abandonment Fund").
- (b) In accordance with the Abandonment Plan and as part of the Approved Budget for each Calendar Year after the establishment of the Abandonment Fund the Contractor shall commence making monthly contributions to the Abandonment Fund in accordance with the following formula:



$$FT = EC \times CP/PR - AB$$

where:

FT is the amount of funds to be transferred to the Abandonment Fund in the relevant Calendar Month.

EC is the total estimated cost of abandonment operations.

CP is the cumulative Production of Petroleum from the end of the Calendar Month in which the Abandonment Fund was established.

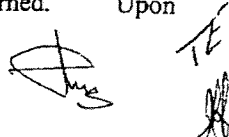
PR is the estimated proven recoverable reserves remaining to be recovered from the end of the Calendar Month in which the Abandonment Fund was established.

AB is the Abandonment Fund balance at the end of the previous Calendar Month.

- (c) Contributions to the Abandonment Fund shall be Recoverable Costs.
- (d) The Contractor shall be entitled to draw down the Abandonment Fund for the sole purpose of funding its Site Restoration obligations.
- (e) If following the completion of all Site Restoration activities there should be any funds remaining in the Abandonment Fund such funds shall to the extent that the contributions to the Abandonment Fund have been previously recovered out of a Cost Pool be paid to PetroleumBRUNEI within fourteen (14) days after the date upon which Site Restoration was completed.

**Article 27.7 Assumption of Control by PetroleumBRUNEI**

Upon PetroleumBRUNEI notifying the Contractor that it intends to take control of Petroleum Operations in any part of the Agreement Area following the relinquishment by the Contractor of such part or in the whole Agreement Area after the expiry of the Term the Parties shall as soon as practicable after the date of such notice arrange a transfer from the Contractor to PetroleumBRUNEI of custody over the relevant part of Petroleum Account and all Data and Project Assets relevant to the Petroleum Operations concerned. Upon

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PetroleumBRUNEI notifying the Contractor in writing that such transfer has been completed:

- (a) the Abandonment Fund shall be transferred to PetroleumBRUNEI and PetroleumBRUNEI shall assume complete control thereof;
- (b) on receipt of written confirmation from PetroleumBRUNEI that the Contractor has met in full its obligation to fund the Abandonment Fund under Article 27.6, the Contractor shall be released from its Site Restoration obligations for the area concerned and PetroleumBRUNEI shall assume responsibility for all Petroleum Operations carried out in such area after such date;
- (c) PetroleumBRUNEI shall be entitled to all Petroleum, proceeds and other benefits accruing thereafter;
- (d) the Contractor Party shall have no liability in respect of any Petroleum Operations carried on after the date of PetroleumBRUNEI's assumption of control PROVIDED the Contractor shall remain liable for all claims, losses, liability and damages which accrue before such date or which arise out of, or in connection with, the Gross Negligence/Wilful Misconduct of any of the Contractor Parties, their Affiliates or subcontractors.



## ARTICLE 28

### TERMINATION

Article 28.1 PetroleumBRUNEI shall be entitled to terminate this Agreement forthwith by notice in writing to the Contractor:

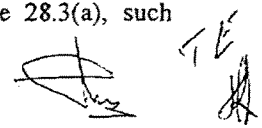
- (a) If, following the resignation or removal of the Operator, the Contractor should fail to appoint a successor within thirty (30) working days; or
- (b) if upon the expiry of Phase 1 of the Exploration Period, the Contractor shall not have completed the work described in Article 8.1(a); or
- (c) if the First Commercial Production Date for a Development and Production Field is not achieved by the Target Production Date.

Article 28.2 In addition PetroleumBRUNEI shall subject to Article 28.3 be entitled to terminate this Agreement with respect of an individual Contractor Party (such Contractor Party being the "Defaulting Party"):

- (a) upon the occurrence of an Insolvency Event affecting that Defaulting Party; or
- (b) upon a material breach of this Agreement by that Defaulting Party.

Article 28.3 If this Agreement is terminated with respect to an individual Defaulting Party:

- (a) Before the Participation Completion Date:
  - (i) PetroleumBRUNEI or its nominee will have the first right of refusal over part of, or the whole of, fifteen (15) per cent. of that Defaulting Party's Percentage Interest. If PetroleumBRUNEI or its nominee exercises its first right of refusal under this Article 28.3(a), such part of or the whole of the Defaulting Party's Percentage Interest will be transferred to PetroleumBRUNEI or its nominee as applicable at nil additional consideration.
  - (ii) To the extent that PetroleumBRUNEI or its nominee does not exercise its first right of refusal under Article 28.3(a), such



remaining Defaulting Party's Percentage Interest will be transferred to the Contractor Parties at nil additional consideration pro rata to the Contractor Parties' Percentage Interests.

- (b) After the Participation Completion Date, the Defaulting Party's Percentage Interest will be transferred to the Parties at nil additional consideration pro rata their Percentage Interests (minus the Defaulting Party's Percentage Interest) in accordance with the Joint Operating Agreement.

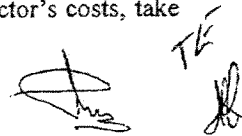
Provided that this Article 28.3 will not apply, and PetroleumBRUNEI will not have the right to terminate this Agreement in whole or in part, where:

- (i) the Defaulting Party is the PB Holder; and
- (ii) the PB Holder is an Affiliate of PetroleumBRUNEI.

Article 28.4 At the same time that a notice to terminate this Agreement is served pursuant to Article 28.1, PetroleumBRUNEI shall give notice to the Defaulting Party and the other Contractor Parties:

- (a) where the Defaulting Party is in default of this Agreement, requiring the other Contractor Parties to remedy the breach by the Defaulting Party provided that if such breach is not remedied within thirty (30) Working Days of such notice, PetroleumBRUNEI may terminate this Agreement with respect to all Contractor Parties; or
- (b) where an Insolvency Event has occurred in relation to the Defaulting Party, the Defaulting Parties Percentage Interest will be transferred on basis prescribed in Article 28.3 as soon as reasonably practicable.

Article 28.5 During the thirty (30) Working Day period referred to in Article 28.4(a), the Contractor Parties must use their reasonable endeavours to take all necessary precautions and measures to mitigate any damage arising out of the relevant breach of the Defaulting Party's obligations under this Agreement, failing which, PetroleumBRUNEI may, at its sole discretion and at the Contractor's costs, take

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such precautions and measures itself. If any person employed by, or authorised to act on behalf of, a Contractor Party shall:

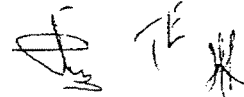
- (a) have offered, or given or agreed to give, to any person any gift or consideration of any kind as an express inducement or reward for doing, or forbearing to do, or for having done or forborne to do, any material action in relation to the award of this Agreement; or
- (b) have been found guilty by a court of an offence or offences under the Prevention of Corruption Act (Cap.131) or an offence or offences under sections 161 to 165 or 213 and 215 of the Penal Code (Cap. 22);

then PetroleumBRUNEI shall be entitled to terminate this Agreement, but only as to the applicable Contractor Party, by notice to such Contractor Party.

Article 28.6 If this Agreement should terminate prior to the First Commercial Production Date as a result of a breach by the Contractor of any term hereof all Project Assets that would have transferred to PetroleumBRUNEI on the First Commercial Production Date but for such termination shall vest in PetroleumBRUNEI forthwith.

Article 28.7 Any termination of the Agreement pursuant to this Article 28 shall be without prejudice to any rights, obligations and/or liabilities of the Parties hereunder which have arisen and/or accrued on, or prior to, such termination.

Article 28.8 If the circumstance or circumstances that would otherwise result in the termination of this Agreement are the subject of a determination by the Expert pursuant to Article 30, then termination shall not take place for so long as such determination is pending or such proceedings continue and thereafter may only take place when and if consistent with the Expert determination or arbitral award.

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## ARTICLE 29

### FORCE MAJEURE

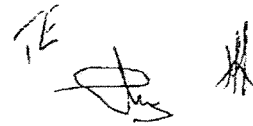
Article 29.1 In this Agreement, an "Event of Force Majeure" shall include (but not be limited to) acts of God or force of nature, landslides, lightning, earthquakes, floods, fires, storms or storm warning, tidal waves, shipwrecks and perils to navigation, acts of war or public enemy, labour disturbances which are not caused by the Contractor breaching Applicable Law, riots, insurrections, civil commotion, quarantine restrictions, epidemics, strikes, sabotage or accidents and other similar events or circumstances beyond the reasonable control and not caused by the fault or negligence of the Party seeking relief hereunder, which events or circumstances prevent such Party from performing its obligations or hinders or delays the performance of such obligations under this Agreement.

Article 29.2 Where the occurrence of an Event of Force Majeure renders it impossible to perform, or hinders or delays the performance of, any obligation (other than an obligation to make a payment) under this Agreement, then subject to Article 29.4 the failure or omission by the Party affected to perform such obligation shall not for the duration of such event be treated as a failure or omission to comply with this Agreement and any periods of time under this Agreement relating to the performance of that obligation or to the taking of any other action which cannot be taken without the performance of that obligation shall be suspended for the duration of the Event of Force Majeure.

Article 29.3 Failure by a Party to perform an obligation hereunder as a consequence of Applicable Law shall not be treated as a failure to comply with this Agreement provided that it is proven that such failure or omission is the necessary consequence of compliance with such Applicable Law.

Article 29.4 Upon the occurrence of any Event of Force Majeure the affected Party shall promptly:

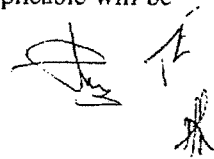
- (a) give notice of such event to the other Parties; and

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- (b) resume full performance of this Agreement as soon as possible such that the affected Party shall use its best endeavours to overcome such event and resume performance as soon as is practicable.

Article 29.5 If such Event of Force Majeure results in the suspension of all or a major part of Petroleum Operations and continues for more than three (3) months, the duration of this Agreement and any appropriate period thereof, shall be extended by a period equal to the period of the suspension.

Article 29.6 The term of this Agreement shall be extended by a period equal to the duration of the Event of Force Majeure and for such further period as may be determined by PetroleumBRUNEI in its absolute discretion as is required for the Contractor to resume Petroleum Operations. If such Event of Force Majeure occurs during the Exploration Period, the duration of Phase 1 and/or Phase 2 as applicable will be extended accordingly.

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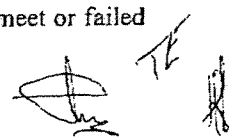
## ARTICLE 30

### EXPERT DETERMINATION

Article 30.1

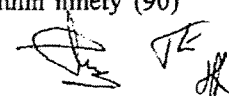
The Parties acknowledge that amicable settlement of any dispute is their preferred form of dispute resolution. Where pursuant to this Agreement (or otherwise by mutual agreement of the Parties) a dispute is subject to Expert determination, such Expert determination shall be carried out in accordance with the Rules for Expertise of the International Chamber of Commerce, provided that:

- (a) a Party wishing to refer a matter for Expert determination shall notify all the other Parties and with such notice give details of the matter which is to be so referred;
- (b) following such notice the Parties shall meet and endeavour to agree on an Expert to whom the matter in dispute shall be referred for determination;
- (c) the Expert shall be a recognised petroleum industry expert having appropriate qualifications and at least ten (10) years experience in a field of expertise relevant to the matter to be determined;
- (d) in making his determination the Expert shall have regard for the terms of this Agreement;
- (e) unless the Parties otherwise agree in writing, no one shall be appointed an Expert, if at the time of appointment (or at any time before he gives his determination under such appointment) he is a director, officeholder or an employee of, is directly or indirectly retained as a consultant to, either of the Parties (or any Affiliate thereof) or is a holder of shares in any Party or any Affiliates thereof (unless such Party or Affiliate, as the case may be, is a company quoted on a recognised stock exchange and his shareholding therein is less than one one-hundredth of a per cent. (0.01) per cent. of the issued share capital of any class);
- (f) if within fourteen (14) working days from the service of the notice pursuant to Article 30.1(a) the Parties have either failed to meet or failed

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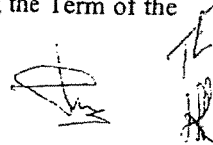
to agree upon an Expert then the matter may forthwith be referred by either Party to the International Centre for Expertise of the International Chamber of Commerce which shall appoint an Expert in accordance with the Rules for Expertise of the International Chamber of Commerce but always subject to Articles 30.1(c) and (d);

- (g) the Parties shall each provide the Expert without delay with their comments and documents which each considers relevant to the determination of the matter in dispute. The Expert may make any investigation, search and/or request for further information that he deems relevant and the Parties shall each co-operate with any such investigation and search, and respond fully and without delay to any such requests by the Expert;
- (h) the Expert shall notify the Parties of his determination (or his inability or unwillingness to make such determination) of the matter in dispute within thirty (30) days of accepting his appointment unless the Expert shall notify the Parties that a further period is required; if following receipt of such notice, all the Parties shall agree that the further period requested by the Expert should be granted, the time for the Expert to make his determination shall be deemed to be extended by the period requested by the Expert;
- (i) except as provided in for in the definition of "Reference Crude Oil", Article 10.8(c), Article 10.9(c) and Article 15.4(c) Expert determination shall not be compulsory but the Parties acknowledge that it may be an appropriate form of dispute resolution for matters of a specific technical nature and/or which require rapid determination;
- (j) unless the Parties otherwise agree in writing, the fees and expenses associated with an Expert shall be paid fifty (50) per cent. by the Contractor and fifty (50) per cent. by PetroleumBRUNEI;
- (k) where any matter is referred to an Expert, such Expert determination shall not be final and binding and either Party may within ninety (90)



days of the date of such Expert determination refer the matter for final settlement by arbitration in accordance with Article 31.

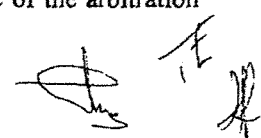
Article 30.2 Unless the Agreement provides otherwise, the obligations of the Parties hereunder shall not be altered or suspended by reason of any Expert determination pursuant to this Article 30 being conducted during the Term of the Agreement.

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## ARTICLE 31

### GOVERNING LAW AND ARBITRATION

- Article 31.1 The governing law of this Agreement shall be the laws of Brunei Darussalam.
- Article 31.2 Subject to those matters which the Parties have agreed to refer to Expert determination pursuant to Article 30, any dispute or controversy arising out of, or in connection with, this Agreement which cannot be settled amicably, shall be referred to, and finally settled by, arbitration under the Arbitration Rules of the Singapore International Arbitration Centre by a panel of three (3) arbitrators, the first to be appointed by PetroleumBRUNEI, the second by the Contractor and the third, who shall be the chairman, to be jointly appointed by PetroleumBRUNEI and the Contractor, all such appointments being subject to the Arbitration Rules of the Singapore International Arbitration Centre.
- Article 31.3 If either Party fails to appoint its nominee arbitrator pursuant to Article 31.2 above or PetroleumBRUNEI and the Contractor do not concur in the appointment of the third arbitrator, either Party may serve the other with a notice to make such appointment, and if the appointment is not made within twenty-one (21) days of service of the notice, the Chairman of the Singapore International Arbitration Centre shall, on application by the Party who gave the notice, appoint the relevant arbitrator who shall have the like powers to act as if he had been duly appointed in accordance with Article 31.2.
- Article 31.4 Unless the Parties otherwise agree in writing, no one shall be appointed an arbitrator, if at the time of appointment (or at any time before the panel of arbitrators has issued the final arbitral award) he is a director, officeholder or an employee of, is directly or indirectly retained as a consultant to, either of the Parties (or any Affiliate thereof) or is a holder of shares in any Party or any Affiliates thereof (unless such Party or Affiliate, as the case may be, is a company quoted on a recognised stock exchange and his shareholding therein is less than one hundredth of one (0.01) per cent.) of the issued share capital of any class).
- Article 31.5 The place of the arbitration shall be Singapore. The language of the arbitration shall be the English language.



- Article 31.6 The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the majority of the arbitrators. Any costs or fees incident to enforcing the arbitral award shall to the maximum extent permitted by law be charged against the Party resisting such enforcement.
- Article 31.7 The arbitral award shall be final and binding on the Parties and shall be enforceable immediately. Any money to be paid under the award must be paid in US Dollars free of any offset or deduction. By agreeing to arbitration under this Article 31 the Parties waive irrevocably their right to any form of appeal, review or recourse to any state court or other judicial authority, in so far as such waiver may be validly made.
- Article 31.8 Judgement upon the arbitral award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgement, or application may be made to such court for a judicial acceptance of the arbitral award and an order of enforcement, as the case may be.
- Article 31.9 Unless the Agreement provides otherwise the obligations of the Parties hereunder shall not be altered or suspended by reason of any arbitration being conducted pursuant to this Article 31 during the Term of the Agreement.

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## ARTICLE 32

### DATA AND CONFIDENTIALITY

#### Article 32.1 Records and Data

- (a) The Contractor shall in accordance with Good Oilfield Practice keep adequate and complete records of Petroleum Operations and safeguard all Data.
- (b) All Data shall be the property of PetroleumBRUNEI.
- (c) The Contractor shall throughout the Term retain and use free of charge for the purposes of Petroleum Operations the Data, subject to PetroleumBRUNEI having unrestricted access thereto.
- (d) Upon the expiry of the Term, the termination of this Agreement or as PetroleumBRUNEI may request at any time the Contractor shall transfer all Data into the physical possession of PetroleumBRUNEI.
- (e) The Contractor shall, subject to Article 32.2 be entitled to retain copies of all non-physical Data.

#### Article 32.2 Restrictions Relating to Data

- (a) The Contractor shall not at any time remove any Data from Brunei Darussalam without the prior written consent of PetroleumBRUNEI, which consent shall not be unreasonably withheld. PetroleumBRUNEI will respond to any application made by the Contractor pursuant to this Article 32.2(a) within thirty (30) days of such application being made provided that:
  - (i) PetroleumBRUNEI may, acting in its absolute discretion, extend such period for a further thirty (30) days by providing prior written notice of such extension to the Contractor;
  - (ii) if PetroleumBRUNEI requires more than sixty (60) days in which to make a decision in respect of an application made by the Contractor pursuant to this Article 32.2(a), it will, prior to the

expiry of the second thirty (30) day period referred to in Article 32.2(a)(i), provide a written request to the Contractor for an additional period of time in which to make its decision (such request to provide reasonable detail to the Contractor of the reasons for PetroleumBRUNEI seeking such extension); and

(iii) the Contractor may:

(A) not unreasonably withhold its consent to an application made by PetroleumBRUNEI pursuant to Article 32.2(a)(ii);

(B) in providing its consent to an application made by PetroleumBRUNEI pursuant to Article 32.2(a)(ii), impose a reasonable deadline upon PetroleumBRUNEI by which time PetroleumBRUNEI's decision must be made.

(b) The prohibition in Article 32.2(a) shall not apply to non-physical Data of which the Contractor retains exact copies in Brunei Darussalam.


(c) If the Contractor shall process or interpret raw Data outside Brunei Darussalam, it shall return the processed and/or interpreted Data to PetroleumBRUNEI immediately upon completion of the interpretation.

(d) If the Contractor shall store Data in an electronic data storage system it shall ensure that PetroleumBRUNEI has access thereto and that a copy of such system containing the Data be established in Brunei Darussalam such that there shall be no breakdown, interruption or inaccessibility by PetroleumBRUNEI to such Data at any time for whatever reason.

#### Article 32.3 Confidential Information

(a) Each of the Parties shall keep all Confidential Information strictly confidential not disclose it without the prior written consent of the other Parties, except as provided in Article 32.3(b).

(b) The Contractor may disclose the Confidential Information to Third Parties without PetroleumBRUNEI's prior written consent only to the extent such Confidential Information:

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- (iv) is already in the public domain other than through an act or omission of PetroleumBRUNEI;
  - (v) relates to areas within the Agreement Area which have been relinquished by Contractor;
  - (vi) is required to be disclosed by PetroleumBRUNEI to a panel of arbitration or to an Expert pursuant to Article 30 or Article 31; or
  - (vii) is required to be disclosed by PetroleumBRUNEI to a court of competent jurisdiction or as may be required by Applicable Law.
- (d) PetroleumBRUNEI shall be entitled to disclose Data:
- (i) without restriction five (5) years after the date on which such Data were generated;
  - (ii) required by PetroleumBRUNEI for the purposes of promoting, evaluating any other areas (unlicensed or otherwise) outside the Agreement Area provided that reasonable notice has been given to the Contractor;
  - (iii) to a Third Party Contractor carrying out petroleum operations in respect of adjacent acreage within or outside the jurisdiction of Brunei Darussalam, in the context of a possible unitisation pursuant to Article 11, provided that in the case of any such disclosure, PetroleumBRUNEI shall:
    - (A) give the Contractor three (3) months prior notice;
    - (B) disclose to the Contractor any non-interpreted Data (which are available to PetroleumBRUNEI and which are of an equivalent nature and value) pertaining to the petroleum operations of such Third Party Contractor in respect of their adjacent acreage.
- (e) The restrictions on the use and disclosure of Confidential Information shall cease to apply to:





(i) PetroleumBRUNEI immediately; and

(ii) the Contractor five (5) years,

after the expiry of the Term or earlier termination of this Agreement.

(f) For the purposes of this Article, "**Confidential Information**" shall mean:

(i) the terms of this Agreement

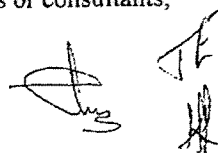
(ii) all Data; and

(iii) any information of a confidential nature relating to the customers, business, finances, assets or affairs of any of the Parties.

Article 32.4 Nothing in this Agreement shall require the Contractor to divulge, transfer title to, and/or make available to PetroleumBRUNEI, any proprietary technology that is owned by the Contractor or any of their Affiliates.



- (i) is provided to the Contractor's employees for use for the purposes of Petroleum Operations and subject to their execution of suitable confidentiality agreements;
  - (ii) is provided to an Affiliate of the Contractor for use for the purposes of Petroleum Operations and subject to suitable confidentiality arrangements having been entered into by such Affiliate;
  - (iii) is required to be disclosed by any Contractor Party in accordance with any applicable law, regulation or rule (including any regulation or rule of any regulatory agency, securities commission or securities exchange on which the securities of such Contractor Party or its Affiliates are listed);
  - (iv) is required to be disclosed by the Contractor to a panel of arbitration or to an Expert pursuant to Article 30 or Article 31;
  - (v) is required to be disclosed by any Contractor Party to a court of competent jurisdiction;
  - (vi) is already in the public domain other than through an act or omission of the Contractor, any of its Affiliates.
- (c) PetroleumBRUNEI may disclose Confidential Information to third parties without the Contractor's prior written consent only to the extent such Confidential Information:
- (i) is required to be provided to the Government and/or related Government agencies;
  - (ii) is provided to an Affiliate of PetroleumBRUNEI (other than the Government or Government agencies) for use in Petroleum Operations and subject to suitable confidentiality arrangements having been entered into by such Affiliate;
  - (iii) is provided to PetroleumBRUNEI's employees or consultants;

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- (iv) is already in the public domain other than through an act or omission of PetroleumBRUNEI;
  - (v) relates to areas within the Agreement Area which have been relinquished by Contractor;
  - (vi) is required to be disclosed by PetroleumBRUNEI to a panel of arbitration or to an Expert pursuant to Article 30 or Article 31; or
  - (vii) is required to be disclosed by PetroleumBRUNEI to a court of competent jurisdiction or as may be required by Applicable Law.
- (d) PetroleumBRUNEI shall be entitled to disclose Data:
- (i) without restriction five (5) years after the date on which such Data were generated;
  - (ii) required by PetroleumBRUNEI for the purposes of promoting, evaluating any other areas (unlicensed or otherwise) outside the Agreement Area provided that reasonable notice has been given to the Contractor;
  - (iii) to a Third Party Contractor carrying out petroleum operations in respect of adjacent acreage within or outside the jurisdiction of Brunei Darussalam, in the context of a possible unitisation pursuant to Article 11, provided that in the case of any such disclosure, PetroleumBRUNEI shall:
    - (A) give the Contractor three (3) months prior notice;
    - (B) disclose to the Contractor any non-interpreted Data (which are available to PetroleumBRUNEI and which are of an equivalent nature and value) pertaining to the petroleum operations of such Third Party Contractor in respect of their adjacent acreage.
- (e) The restrictions on the use and disclosure of Confidential Information shall cease to apply to:

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(i) PetroleumBRUNEI immediately; and

(ii) the Contractor five (5) years,

after the expiry of the Term or earlier termination of this Agreement.

(f) For the purposes of this Article, "Confidential Information" shall mean:

(i) the terms of this Agreement

(ii) all Data; and

(iii) any information of a confidential nature relating to the customers, business, finances, assets or affairs of any of the Parties.

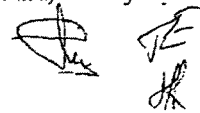
Article 32.4 Nothing in this Agreement shall require the Contractor to divulge, transfer title to, and/or make available to PetroleumBRUNEI, any proprietary technology that is owned by the Contractor or any of their Affiliates.



## ARTICLE 33

### ASSIGNMENT

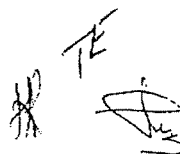
- Article 33.1 No Investor Party shall assign, mortgage, pledge or otherwise encumber its Percentage Interest (or any of its rights and interests arising under this Agreement) other than in accordance with this Article 33. Any purported assignment made in breach of this Article 33 shall be void.
- Article 33.2 An Investor Party may with PetroleumBRUNEI's prior written consent assign, transfer, mortgage, pledge or otherwise encumber all or part of its Percentage Interest to another person (an "Assignment"). PetroleumBRUNEI will use its reasonable endeavours to respond to any application by the Contractor for PetroleumBRUNEI's consent to an Assignment (an "Application") as soon as reasonably practicable but in any case no later than sixty (60) days after receiving such application. If PetroleumBRUNEI does not respond to the Application within such sixty (60) day period:
- (a) PetroleumBRUNEI will be deemed not to have provided its consent to such Assignment;
  - (b) notwithstanding paragraph (a) above, PetroleumBRUNEI will, as soon as reasonably practicable after the expiry of such sixty (60) day period, send a written notice to the Contractor confirming that it has not consented to the Assignment providing its reasons for such decision.
- Article 33.3 Any assignment by a Contractor Party shall be expressly conditional upon the assignee having delivered to PetroleumBRUNEI a Guarantee in respect of its Percentage Interest as provided in Article 8.
- Article 33.4 If a Third Party acquires or about or likely to gain control of the Ultimate Parent Company of a Contractor Party, that Contractor Party (the "Target") shall immediately notify PetroleumBRUNEI, identifying the relevant Third Party and providing details of any petroleum interests held by that Third Party and/or its Affiliates in Brunei Darussalam or in any neighbouring states. If PetroleumBRUNEI shall in its absolute discretion determine that the change of control of the Target renders it unacceptable to PetroleumBRUNEI, it may by

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notice in writing, singly or together with the other Contractor Parties (if any) purchase all of the Target's Percentage Interest at a price equal to the arms length market value thereof, as agreed between the Parties or, in default of agreement, determined by an Expert pursuant to Article 30; or

Article 33.5 PetroleumBRUNEI may by notice to the Contractor assign:

- (a) any part of its Percentage Interest to an Affiliate or any Government body;
- (b) any part of its Participating Interest or any right to receive (i) PetroleumBRUNEI's Entitlement and/or (ii) any payment owing to it hereunder to a Third Party for the purposes of raising finance;
- (c) or transfer any of its rights, interest, obligations or duties under this Agreement to any Government body if so required by Applicable Law or order of the Government.

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ARTICLE 34

MISCELLANEOUS PROVISIONS

Article 34.1 Notices

- (a) All notices and other communications under this Agreement shall be in English and only in writing.
- (b) Notices shall be delivered personally at all times if possible, failing which it shall be sent by registered mail and facsimile simultaneously.
- (c) Any notice delivered personally or sent by registered mail shall be deemed to have been received on delivery. Any notices sent by facsimile shall be deemed to have been received on the next day, following the date of transmission, when the recipients offices are open for business.
- (d) Any notice to be given to any Party shall be sent to that Party at the address specified below:

PetroleumBRUNEI  
Brunei National Petroleum Company Sendirian Berhad  
Unit 2.02, 2nd Floor, Block D  
Yayasan Sultan Haji Hassanal Bolkihah Complex  
Jalan Pretty  
Bandar Seri Begawan BS8711  
Brunei Darussalam

Fax: +673 2230654

Attention: The Chief Executive Officer

The Contractor  
Loon Energy Inc  
1950, 700 4<sup>th</sup> Avenue SW  
Calgary, Alberta  
Canada T2P 3J4

TE

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Fax: +1 403 263 4247

Attention: The President

Copied to:

QAF Brunei Sdn Bhd

QAF Centre

Lot 66

Tapak Perindustrian Beribi B.S.B

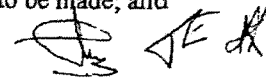
BE1118, Brunei Darussalam

Fax: +673 2452150

Attention: The General Manager

Article 34.2 Announcements

- (a) No public statements, announcements or circulars regarding this Agreement or the activities of the Parties hereunder shall be made by or on behalf of any Contractor Party without the prior written approval of PetroleumBRUNEI, provided that a Contractor Party may do so without prior written approval of PetroleumBRUNEI the extent required by any law to which the such Contractor Party or its Ultimate Parent Company is subject or by any recognised stock exchange rule where such Contractor Party or its Ultimate Parent Company is listed.
- (b) PetroleumBRUNEI may make such public statements, announcements or circulars it proposes to issue regarding this Agreement or the activities of the Parties as shall be required by Applicable Law.
- (c) If a Party intends to make any announcement or statement as permitted by Article 34.2(a) or (b), it shall:
  - (i) provide each other party with advance notice of its intention and a copy of the announcement or statement to be made; and

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- (ii) take into account any representations or objections which that party shall make reasonably in relation to it.

Article 34.3 Stabilisation

If an occurrence of events or circumstances not contemplated by the Parties should fundamentally alter the equilibrium of this Agreement by placing an excessive burden on one of the Parties in the performance of its obligations hereunder and such circumstances are, in the reasonable opinion of the Party adversely affected, likely to continue, that Party may, within a reasonable time from becoming aware of such event and of its effect on the commerciality of the Agreement, by notice indicating the grounds for its request, request a revision of this Agreement such that no Party suffers excessive prejudice. Such request shall not suspend the performance of this Agreement by such Party. If any Party makes such request, the other Parties shall (without obligation) consult each other with a view to rectifying the affected Party's concerns through agreeing revisions to this Agreement or otherwise.

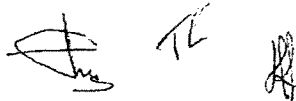
Article 34.4 No partnership

Nothing in this Agreement, and no action taken under this Agreement, shall create a partnership or establish a relationship of principal and agent between any of the parties or otherwise authorise any party to bind any other party for any purpose.

Article 34.5 Invalidity

If at any time any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction that shall, so long as the commercial purpose of this Agreement is still capable of performance, not in any way affect or impair:

- (a) the validity, legality or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the validity, legality or enforceability under the law of any other jurisdiction of that or any other provision of this Agreement.

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Article 34.6 Entire Agreement

- (a) This Agreement is the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior understandings and negotiations of the Parties.
- (b) In the event of inconsistency between the Joint Operating Agreement and this Agreement, this Agreement shall prevail.

Article 34.7 Amendments

Neither this Agreement nor any Plan may be changed, altered, waived or terminated without the written consent of the parties.

Article 34.8 Remedies and waivers

- (a) No default by any Party in the performance of or compliance with any provision of this Agreement shall be waived or discharged except with the express written consent of each other Party. A waiver by a Party of a default by another Party will not prevent the first Party from subsequently requiring compliance with the waived obligation.
- (b) No waiver by any Party of any default by another in the performance of or compliance with any of the provisions of this Agreement shall operate or be construed as a waiver of any other or further default whether of a like or different character.
- (c) No failure to exercise, nor delay or omission by any Party in exercising, any right, power or remedy conferred on it under this Agreement or provided by law shall (except with the express written consent of that Party):
  - (i) affect that right, power or remedy; or
  - (ii) operate as a waiver of it.
- (d) No single or partial exercise by any Party of any right, power or remedy shall prevent any further exercise of that right, power or remedy or the exercise of any other right, power or remedy.

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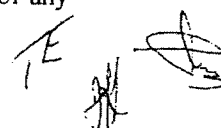


Article 34.9 Rights and remedies cumulative

The rights, powers and remedies conferred on the parties by this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law or otherwise.

Article 34.10 Third party rights

Except as provided in this Agreement, a person who is not a party to this Agreement shall not be entitled to enforce or otherwise have the benefit of any provision in it.

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IN WITNESS WHEREOF, the Parties have caused the Production Sharing Agreement for Block L Brunei Darussalam to be duly executed by their respective representatives as of the day and year first above written

SIGNED BY

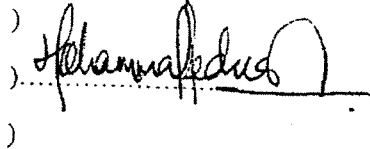
MOHAMMAD REDUAN BIN HAJI MOHD YUSOF )

Acting Chief Executive Officer )

for and on behalf of )

BRUNEI NATIONAL PETROLEUM )

COMPANY SENDIRIAN BERHAD )



in the presence of:-

Witness:-



Name: Haji Iskandar bin Haji Yahya

Position: Asset General Manager

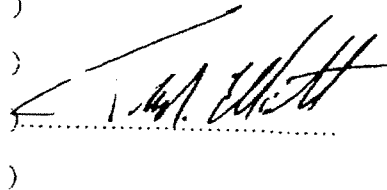
AND

SIGNED BY

TIMOTHY M. ELLIOTT )

for and on behalf of )

LOON BRUNEI LIMITED )



in the presence of:-

Witness:-

Name: Jock Graham

Position:



AND

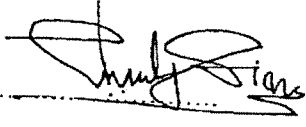
SIGNED BY

DATO PADUKA CHUA PHENG SIONG

Business Development General Manager

for and on behalf of

QAF BRUNEI SENDIRIAN BERHAD

)  
)  
)   
)

in the presence of:-

Witness:-

Name: Ho Lee Suom

Position: Corporate Affairs General Manager



# ANNEX A

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ANNEX B

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**ACCOUNTING PROCEDURES****1. General provisions****1.1 Purpose**

The purpose of these Accounting Procedures is to establish the principles and procedures of accounting and reporting hereunder for determining costs and expenditures incurred and proceeds received in Petroleum Operations, so that Parties' Petroleum entitlements hereunder can be accurately determined pursuant to the terms of the Agreement. More specifically, the purpose of these Accounting Procedures is to establish the principles and procedures for:

- (a) determining Recoverable Costs and Non-Recoverable Costs;
- (b) classifying Recoverable Costs in accordance with the purposes for which they are incurred hereunder;
- (c) reporting obligations of the Contractor hereunder;
- (d) requirements hereunder regarding audits and reviews; and
- (e) other accounting and reporting matters hereunder.

**1.2 Definitions**

The terms used in these Accounting Procedures shall have the same meaning as those defined in the Agreement. In addition, the following terms shall be used in these Accounting Procedures:

"**Accrual Basis**" shall mean the basis of accounting under which costs and benefits are recorded for the period in which the liability for the cost is incurred or the right to the benefit arises, regardless of when such cost is invoiced or paid or when such benefit is received;

"**Article**" shall mean an article of the Agreement, excluding any Annexes thereto;

"**Collector**" shall have the meaning attributed to that expression in the Income Tax (Petroleum) Act (Cap. 119);

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"Employees" means (a) any personnel directly employed by the Operator under employment contracts or engaged pursuant to consultancy agreements and, in each case, engaged in the conduct of Petroleum Operations, (b) any personnel seconded to the Operator by any of the Contractor Parties and/or their Affiliates pursuant to secondment agreements and engaged in the conduct of Petroleum Operations or (c) any personnel seconded to the Operator by PetroleumBRUNEI pursuant to secondment agreements and engaged in the conduct of Petroleum Operations, in each case, irrespective of the location where such personnel work;

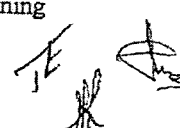
"Individual Market Value" shall mean in respect of any Contractor Party:

- (a) in the case of Crude Oil, the weighted average price per Barrel of the actual prices received by such Contractor Party from sales of its Percentage Interest share of the Contractor's Entitlement to Crude Oil during the relevant basis period subject to the conditions imposed under Article 15.2 in respect of Market Value of Crude Oil; and
- (b) in the case of Natural Gas, the weighted average price per MMBtu of the actual prices received by such Contractor Party from sales of its Percentage Interest share of the Contractor's Entitlement to Natural Gas during the relevant basis period subject to the conditions imposed under Article 14.5 in respect of Market Value of Natural Gas;

PROVIDED that the Individual Market Value of each Contractor Party shall, if necessary, be adjusted so that the weighted average of Individual Market Values of all Contractor Parties in respect of Crude Oil (or Natural Gas, as the case may be) in any Calendar Quarter shall in all cases be equal to the Market Value as determined for such Calendar Quarter in respect of Crude Oil pursuant to Article 15.2 (or, as the case may be, in respect of Natural Gas pursuant to Article 14.5);

"LIBOR" means the London Interbank Offered Rate for one months US Dollars deposits in the amount due and unpaid hereunder, as quoted by the Financial Times (London). Where the rate is not quoted on a specific date, the latest quoted rate prior to such date shall apply;

"Market Value of Production and Pricing Report" shall have the meaning attributed to that expression in Section 2.1(d);

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"**Materials**" shall mean all moveable Project Assets including equipment, machinery, tools, supplies, materials, consumables and any other goods of similar nature, but excluding any Petroleum produced in, or any by-products of, Petroleum Operations;

"**Petroleum Account Audit Report**" shall have the meaning attributed to that expression in Section 3.1(e);

"**Petroleum Account Report**" shall have the meaning attributed to that expression in Section 2.1(a);

"**Production Report**" shall have the meaning attributed to that expression in Section 2.1(c);

"**Production Sharing Report**" shall have the meaning attributed to that expression in Section 2.1(e);

"**Section**" shall mean a section of these Accounting Procedures; and

"**Wilful Misconduct**" shall mean any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety of property of another person or entity.

1.3 Interpretation

References herein to the "Agreement" shall include these Accounting Procedures.

1.4 Inconsistency

In case of any inconsistency or conflict between a provision of these Accounting Procedures and any other provisions of the Agreement, the latter shall prevail, PROVIDED that the provisions of these Accounting Procedures shall prevail over any inconsistent provisions of other Annexes and Exhibits to the Agreement.

1.5 Language, measurement units and currency of Petroleum Account

- (a) The Petroleum Account shall be prepared and kept in the English language by the Operator.



- (b) Barrels, Btu and Cubic Feet shall be employed for measurements required under the Agreement in respect of Petroleum. All such measurements shall be in accordance with Good Oilfield Practice.
- (c) The Petroleum Account shall be maintained in US Dollars, which shall be the controlling currency of account for the purposes of cost recovery and production sharing hereunder as well as for PetroleumBRUNEI's participation pursuant to Article 24. Where necessary for clarification or as required by Applicable Law, the Petroleum Account may also be kept in other languages, measurement units and currencies.


1.6 Currency translation and exchange

- (a) It is the intention of the Parties that no Party shall experience any gain or loss at the expense or to the benefit of the other Party as a result of translation or exchange of currency. Should there be any such gain or loss, it shall be credited or charged, as the case may be, to the Petroleum Account.
- (b) The Operator shall deliver to PetroleumBRUNEI a description of the procedures adopted for the calculation of the exchange rate differences as well as the respective policies for protection from exchange rate fluctuations as and when requested by PetroleumBRUNEI.
- (c) The Operator shall maintain, as part of the Petroleum Account, a record of all exchange rates actually experienced in a conversion pursuant to Article 19.1(b) of the Agreement as well as of all gains and losses resulting from a translation or exchange of currency. Any such rates, gains and losses shall be so recorded separately and individually, under their own heading.

1.7 Payments

All amounts due by one Party to another Party under the Agreement (other than pursuant to Article 24 thereof) shall, for each day such amounts are overdue, bear interest compounded daily at LIBOR plus five (5) percent.

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1.8 Accounts and reports

- (a) The Accrual Basis shall be used in preparing and keeping the Petroleum Account, PROVIDED that a generally accepted accounting procedure for month-end reversal of accruals shall be applied in order to avoid any duplication of charges or credits to the Petroleum Account as well as to ensure the accuracy of recovery of Recoverable Costs.
- (b) The Petroleum Account shall be retained by the Contractor until seven (7) Calendar Years after the expiry of the Term.
- (c) Within sixty (60) days from the Commencement Date, the Operator shall submit to, and discuss with, PetroleumBRUNEI a proposed outline including charts of accounts, operating records and reports in respect of the Petroleum Account, which outline shall:
- (i) reflect categories of Costs pursuant to Sections 5, 6, 8.1, 10 and 11 (where possible, identifying separately such categories of Costs which are attributable to individual Petroleum Fields, Crude Oil (including any segregated volumes), Associated Gas and Non-Associated Gas as well as Cost categories not attributable thereto);
  - (ii) distinguish between proceeds from the sale of Petroleum and incidental proceeds of the sort referred to in Section 7; and
  - (iii) otherwise be in accordance with the terms of the Agreement applicable to the Petroleum Account.

Within forty-five (45) days of receiving the proposed outline, PetroleumBRUNEI shall either notify the Operator that it approves of the proposal or require revisions thereto. The Operator shall incorporate all revisions suggested by PetroleumBRUNEI to the extent it is reasonably practicable to do so. If the Operator reasonably considers it impracticable to incorporate any of PetroleumBRUNEI's proposed changes, it shall notify PetroleumBRUNEI of the reasons therefor. Any agreed outline may thereafter be revised by mutual agreement. Following any such agreement, the Operator shall promptly prepare and provide PetroleumBRUNEI with copies of the amended charts of accounts, operating records and reports.

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- (d) In addition to accounts and reports specifically provided for in the Agreement and these Accounting Procedures, the Operator shall prepare and deliver to PetroleumBRUNEI within a reasonable period such information and data (as well as clarification and guidelines in respect thereof) as PetroleumBRUNEI may reasonably request and which is directly related to the Contractor's obligations hereunder.
- (e) It is understood that in addition to accounts and reports specifically provided for in this Agreement, each of the Contractor Parties shall be responsible for keeping its own accounting records as well as for preparing and filing its own reports (including, without limitation, individual income tax returns pursuant to Section 12) in order to comply with Applicable Law.
- (f) The Operator shall establish, maintain and administer separate bank account(s) exclusively for the purposes of Petroleum Operations and shall promptly give notice to PetroleumBRUNEI of any such bank account(s) being opened, closed or otherwise subject to any change in status.

## 2. Reports

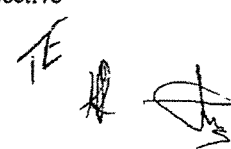
### 2.1 Periodic reports

Without limiting the generality of Section 1.8, the Contractor shall, as part of the Petroleum Account, no later than thirty (30) days after the end of each relevant Calendar Quarter and no later than sixty (60) days after the end of each relevant Calendar Year deliver or procure the delivery to PetroleumBRUNEI the following reports in respect of the relevant Calendar Quarter or Calendar Year, as the case may be:

#### (a) Petroleum Account Report

A report (the "**Petroleum Account Report**") containing the following information:

- (i) Costs incurred in the Calendar Quarter (Calendar Year) in question, where appropriate, with a breakdown into the Contractor's respective shares for the purposes of Section 12.4;

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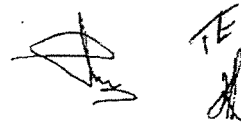
- (ii) Costs as provided in the corresponding Approved Work Programme and/or Approved Budget and incurred in the Calendar Quarter (Calendar Year) in question;
- (iii) reasonable explanations of the variations between Costs referred to in paragraphs (i) and (ii) above in this Section (a);
- (iv) receipts for the Calendar Quarter (Calendar Year) in question; and
- (v) latest forecast of cumulative Costs and receipts, if any, expected by the end of the relevant Calendar Year.

Each Petroleum Account Report shall identify Recoverable Costs and Non-Recoverable Costs, separately in respect of individual Petroleum Fields, shall be classified into categories of Costs pursuant to Sections 5.3, 6, 8.1, 10 and 12 and shall otherwise be presented in sufficient detail so as to provide comparison with the corresponding Approved Work Programme and/or Approved Budget. Recoverable Costs and Non-Recoverable Costs not directly attributable to a specific Petroleum Field shall be shown separately. Any information and data provided in a Petroleum Account Report in respect of receipts shall distinguish between proceeds from the sale of Petroleum and incidental proceeds of the sort referred to in Section 8.

(b) Cost Recovery Report

A report (the "Cost Recovery Report") containing the following information, where appropriate, with a breakdown into the Contractor's respective shares for the purposes of Section 12.4:

- (i) unrecovered Recoverable Costs, if any, carried forward from the previous Calendar Quarter (Calendar Year);
- (ii) Recoverable Costs incurred in the Calendar Quarter (Calendar Year) in question;
- (iii) total Recoverable Costs for the Calendar Quarter (Calendar Year) in question being a total of Recoverable Costs referred to in paragraphs (i) and (ii) of this Section 2.1(b);

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- (iv) volume and Market Value of Cost Oil and Cost Gas, taken and disposed of by the Contractor in the Quarter (Calendar Year) in question;
- (v) Recoverable Costs recovered in the Calendar Quarter (Calendar Year) in question;
- (vi) total cumulative amount of Recoverable Costs recovered up to the end of the Calendar Quarter (Calendar Year) in question;
- (vii) amount of unrecovered Recoverable Costs, to be carried forward to the next Calendar Quarter (Calendar Year) being a positive difference after the deduction of Recoverable Costs referred to in paragraph (v) from those referred to in (iii) of this Section 2.1(b); and
- (viii) Non-Recoverable Costs incurred in the Calendar Quarter (Calendar Year) in question.

Each Cost Recovery Report shall, where possible, identify Recoverable Costs and Non-Recoverable Costs separately in respect of individual Petroleum Fields and shall be classified into categories of Costs pursuant to Sections 5, 6, 8.1, 10 and 12 and shall otherwise be presented in sufficient detail so as to enable PetroleumBRUNEI to identify how the Recoverable Costs in respect of particular Project Assets are being recovered for the purposes of Article 21. Recoverable Costs and Non-Recoverable Costs not directly attributable to a specific Petroleum Field shall be shown separately.

(c) Production Report

The Contractor shall from the date the first Petroleum is produced from a Petroleum Field, prepare and deliver a report (the "Production Report") in respect of each Calendar Quarter or Calendar Year, as the case may be, containing the following information, where appropriate, with a breakdown into the Contractor's respective shares for the purposes of Section 12.4:

- (i) volume, quality and other characteristics of Crude Oil produced and saved in the Calendar Quarter (Calendar Year) in question;

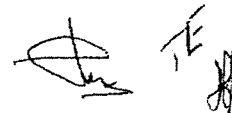
- (ii) volume, quality, composition and other characteristics of Associated and Non-Associated Gas produced and saved in the Calendar Quarter (Calendar Year) in question;
- (iii) volumes of Crude Oil and Natural Gas used in Petroleum Operations (separately for each type of use including re-injection);
- (iv) volumes of Crude Oil and Natural Gas unavoidably lost;
- (v) volumes of Natural Gas flared and vented;
- (vi) size of Petroleum stocks held on the first day of each Calendar Quarter (Calendar Year) in question; and
- (vii) size of Petroleum stocks held on the last day of each Calendar Quarter (Calendar Year) in question.

Any information provided in a Production Report shall, where possible, be identify separately, in respect of individual Petroleum Fields, Crude Oil, Associated Gas and Non-Associated Gas.

(d) Market Value of Production and Pricing Report

Subject to the provisions of Article 22.4, the Contractor shall from the date the first Petroleum is produced from a Petroleum Field, prepare and deliver a report (the "Market Value of Production and Pricing Report") in respect of each Calendar Quarter or Calendar Year, as the case may be, containing the following information, where appropriate, with a breakdown into the Contractor's respective shares for the purposes of Section 12.4:

- (i) volumes, prices and receipts realised for Crude Oil as a result of an Arm's Length Sale thereof (with any sales pursuant to Articles 16 and 25 being separately identified) carried out during the Calendar Quarter (Calendar Year) in question;
- (ii) volumes, prices and receipts realised for Crude Oil as a result of a Non-Arm's Length Sale thereof (with any sales pursuant to Article 25 being separately identified) carried out during the Calendar Quarter (Calendar Year) in question;



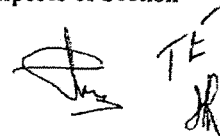


- (iii) relevant information available to the Contractor, insofar as required for the purposes of the calculation and determination of the Market Value of Crude Oil hereunder, concerning the Crude Oil prices (including, without limitation, those of the Reference Crude Oil) including an itemised list of all Crude Oil sales made (showing the details of the purchasers, their relationship (if any) with any of the Contractor Parties, the volumes sold, the unit price and total price for each such sale, any costs, discounts and premia included in such prices (along with details of any currency conversions) as well as prices obtainable on spot and other world markets for the Reference Crude Oil;
- (iv) detailed breakdown of the Contractor's calculation and determination hereunder of the Market Value of Crude Oil for the Calendar Quarter (Calendar Year) in question;
- (v) Market Value of Crude Oil stocks held on the first day of the Calendar Quarter (Calendar Year) in question;
- (vi) Market Value of Crude Oil stocks held on the last day of the Calendar Quarter (Calendar Year) in question; and
- (vii) all information of the type specified in paragraphs (i)-(vi) of this Section 2.1(d) for Crude Oil as is applicable to Natural Gas.

Any information provided in a Market Value of Production and Pricing Report shall, where possible, be identified separately in respect of individual Petroleum Fields.

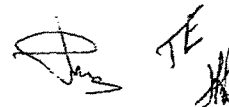
(e) Production Sharing Report

The Contractor shall from the date the first Petroleum is produced from a Petroleum Field, prepare and deliver a report (the "Production Sharing Report") in respect of each Calendar Quarter or Calendar Year, as the case may be, containing the following information, where appropriate, with a breakdown into the Contractor's respective shares for the purposes of Section 12.4:

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- (i) based on Articles 12.4 and 12.8, the appropriate percentages of Profit Oil and/or Profit Gas, as the case may be, of the Contractor and PetroleumBRUNEI in the Calendar Quarter (Calendar Year) in question;
  - (ii) total volume of (i) Petroleum produced, (ii) Petroleum lost, flared and used in Petroleum Operations, (iii) Petroleum taken and disposed of by the Contractor and/or PetroleumBRUNEI, as the case may be, as Royalty Oil and Royalty Gas, (iv) Petroleum taken and disposed of by the Contractor as Cost Oil and Cost Gas, in the Calendar Quarter (Calendar Year) in question;
  - (iii) total volume of Profit Oil and/or Profit Gas, as the case may be, to be shared between the Contractor and PetroleumBRUNEI in the Calendar Quarter (Calendar Year) in question;
  - (iv) based on paragraphs (i) and (iii) of this Section 2.1(e), the volume of Profit Oil and/or Profit Gas, as the case may be, due to the Contractor and PetroleumBRUNEI in the Calendar Quarter (Calendar Year) in question;
  - (v) actual volumes of Petroleum taken by the Contractor and PetroleumBRUNEI in the Calendar Quarter (Calendar Year) in question to satisfy their entitlements pursuant to paragraph (iv) of this Section 2.1(e); and
  - (vi) adjustments, if any, to be made in the next Calendar Quarter (Calendar Year) in the respective volumes of Profit Oil and/or Profit Gas, as the case may be, due to the Contractor and PetroleumBRUNEI on account of any differences between the volumes specified in paragraphs (iv) and (v) of this Section 2.1(e) as well as any cumulative adjustments outstanding from previous Calendar Quarters (Calendar Years).

Any information and data provided in a Production Sharing Report shall, where possible, be identified separately in respect of individual Petroleum Fields.

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2.2 Modification and Delivery of reports

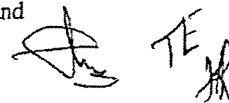
The Parties may from time to time agree in writing on any modifications in the form and contents as well as the time and manner of the delivery of any of the reports mentioned in Section 2.1 above as well as on any further information and data to be reflected in such reports.

3. **Audit**

3.1 Petroleum Account Audit

Pursuant to Article 22.5, PetroleumBRUNEI (or its appointed firm of independent auditors) may, within 24 months of the end of a Calendar Year and upon giving the Operator not less than sixty (60) days notice in writing, audit the Petroleum Account and records of the Operator for any Calendar Year for the purposes of examining and verifying whether the Petroleum Account is true and correct and that it has been prepared and kept in accordance with Good Oilfield Practice and the terms hereof, including, inter alia, for the purpose of examining and verifying the determination of Recoverable Costs (a "Petroleum Account Audit") or to perform such other auditing procedures as PetroleumBRUNEI may reasonably consider appropriate. Any such audit shall be subject to the following terms:

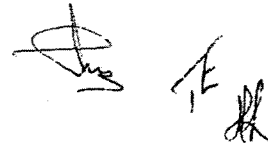
- (a) PetroleumBRUNEI may examine and verify all charges and credits relating to any Petroleum Operations and any documentation forming part of the Petroleum Account.
- (b) Upon request by PetroleumBRUNEI, the Operator shall promptly make available to PetroleumBRUNEI in Brunei Darussalam all information relating to the Petroleum Account. The Operator shall provide the information in electronic format or hard copy documents, if electronic format is not available.
- (c) The Operator shall provide PetroleumBRUNEI with:
  - (i) access to and the means to inspect, during normal business hours, all of the Operator's sites, plants, facilities, warehouses and offices directly or indirectly serving Petroleum Operations and to question personnel associated with Petroleum Operations; and

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- (ii) such assistance and logistical support (including, without limitation, suitable office space, equipment, stationery and other like resources) as PetroleumBRUNEI may reasonably require.
- (d) The Operator shall endeavour to produce information from the other Contractor Parties reasonably necessary to support charges from those Contractor Parties to the Petroleum Account.
- (e) No later than six (6) months after the conclusion of a Petroleum Account Audit, PetroleumBRUNEI shall issue to the Operator a report setting out the results of such Petroleum Account Audit (the Audit Report). Upon receipt of an Audit Report, the Operator shall within three (3) months notify PetroleumBRUNEI of the Operator's response to any exceptions set out in the Audit Report, together with reasons and all evidence supporting such exceptions. The Parties shall then negotiate in good faith to seek to settle any outstanding exceptions. If within six (6) months after the date submission of the Audit Report, the Parties cannot agree on any of the outstanding exceptions, the Parties shall submit the matter for Expert determination in accordance with Article 30.

### 3.2 Other Contractor Parties

- (a) PetroleumBRUNEI may not audit the internal records of a Contractor Party (other than the Operator) that has provided equipment, Materials or services to Petroleum Operations. However, in addition to the information provided by the Operator under Section 3.1(d), and upon request by PetroleumBRUNEI within 24 months following the end of the same Calendar Year as provided in Section 3.1 above, any such Contractor Party shall provide PetroleumBRUNEI an annual report from an internationally recognised independent firm of accountants. The report shall attest that all charges billed by such Contractor Party to the Petroleum Account:
  - (i) represent a complete and accurate allocation of the costs of all Materials and services supplied by said Contractor Party to Petroleum Operations;
  - (ii) exclude any element of profit;

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- (iii) exclude any duplication of costs described in Sections 5 and 6; and
  - (iv) are consistent in application to all of its activities.
- (b) The report shall be furnished to PetroleumBRUNEI within 3 months of date of PetroleumBRUNEI's request.
- (c) No amounts paid to a Contractor Party, in respect of which PetroleumBRUNEI has requested an audit shall be Recoverable Costs for so long as said Contractor Party does not furnish the audit report as provided above.

### 3.3 Costs

The cost of any Petroleum Account Audit or audit done pursuant to Section 3.2 shall be for the relevant Contractor Party's account and shall be Recoverable Costs.

### 3.4 Petroleum Account Deemed Correct

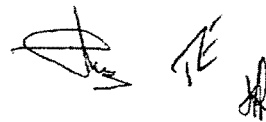
If PetroleumBRUNEI does not conduct a Petroleum Account Audit (or request an audit pursuant to Section 3.2) with respect to a Calendar Year or does so but does not issue an Audit Report setting out any exceptions within the time period referred to in Section 3.1(e), the Petroleum Account for such Calendar Year shall conclusively be presumed true and correct, absent a good faith mistake, fraud or Wilful Misconduct.

## 4. Adjustments

### 4.1 Grounds for adjustments

The Contractor shall promptly apply to the Petroleum Account all adjustments resulting from:

- (a) agreed or otherwise finally settled exceptions in an Audit Report;
- (b) inventories of Project Assets pursuant to Section 10.2;
- (c) any reduction of Recoverable Costs pursuant to Section 7.1;
- (d) application pursuant to Section 1.8(a) of a generally accepted accounting procedure for month-end reversal of accruals;



- (e) any claim brought by a third party;
- (f) any requirement of Applicable Law; and/or
- (g) other causes in accordance with the terms hereof.

4.2 Timing of adjustments

Any adjustments referred to in Section 4.1 above shall be applied to the Petroleum Account no later than the close of business in Brunei Darussalam on the last day of the Calendar Quarter in which any such adjustment was triggered.

4.3 Audit and review of adjustments

The validity of the grounds and justification for any adjustments applied to the Petroleum Account may be subject to confirmation in the course of a Petroleum Account Audit.

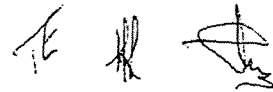
5. **Cost recovery**

5.1 Order of cost recovery

In each Calendar Quarter, Exploration Costs shall be recovered first, Operating Costs later and Development Costs last and each such category shall cover Costs for that Calendar Quarter and those unrecovered from previous Calendar Quarters, with Costs incurred earliest being recovered earliest within each category.

5.2 Determination of Recoverable Costs

- (a) The Operator shall determine Recoverable Costs for each Calendar Quarter:
  - (i) using the Accrual Basis;
  - (ii) in the order provided in Section 5.1;
  - (iii) pursuant to Sections 5, 6, 7, 8, 9, 10 and 12 of these Accounting Procedures; and
  - (iv) in accordance with all other terms of the Agreement.



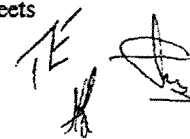
- (b) If any costs or expense is not designated as a Recoverable Cost by these Accounting Procedures or if there is uncertainty as to whether or not it is so designated, the parties agree that PetroleumBRUNEI shall have the discretion to determine whether or not such costs or expenses shall be a Recoverable Cost.

5.3 Recoverable Costs

Recoverable Costs shall include the following:

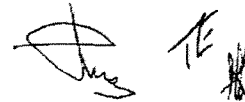
- (a) Costs incurred in negotiating, obtaining or renewing any approvals, permissions or rights referred to Article 5.1;
- (b) Costs of gross salaries, wages, allowances and benefits, including expatriate allowances and other kinds of compensation and secondment costs payable to or on behalf of Employees (all in accordance with the customary practice of the Operator and/or its Affiliates) and pursuant to the applicable employment contracts and/or secondment agreements, as the case may be, including cost of:
- (i) holiday, sickness, disability and other like Employee benefits;
  - (ii) payroll taxes or other fiscal payments relating to Employees that are levied on employers;
  - (iii) pension and retirement benefits;
  - (iv) life and health insurance;
  - (v) educational schemes for Employees working and residing in Brunei Darussalam; and
  - (vi) housing, living and other like Employee allowances payable to Employees working and residing in Brunei Darussalam,

PROVIDED that the costs described in this Section 5.3(b) shall be pro rated on the basis of the time actually spent by the relevant Employees performing work directly related to Petroleum Operations (as determined by time sheets

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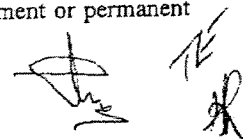
or other time recording methods used by the Operator) and only the costs related to the time so spent shall be Recoverable Costs;

- (c) Costs incurred as premiums paid for insurance required for Petroleum Operations under Article 26.1(a) as well as any Costs incurred in accordance with Article 26.2 in replacing, repairing or otherwise rectifying any loss, damage, liability or other consequence of insured events, which are in excess of the relevant insurance proceeds;
- (d) Costs incurred to replace or repair damage to, or losses of, Project Assets in circumstances where such damage is not covered by the insurance required to be taken out pursuant to Article 26.1 of the Agreement, PROVIDED that:
  - (i) such loss or damage is not caused by the Contractor's negligence; and
  - (ii) the Operator shall notify PetroleumBRUNEI of any such damage or loss in excess of fifty thousand US Dollars (USD 50,000) as soon as practicable after such loss or damage has become known to the Operator;
- (e) Subject to compliance with Article 17, properly incurred costs of services provided by Third Parties;
- (f) Subject to Section 5.3(t), properly incurred costs of services directly related to the performance of Petroleum Operations provided by the Contractor and/or its Affiliates technical and professional staff not located in Brunei Darussalam (and the cost of which would not otherwise be covered by Section 5.3(b)) including the cost of:
  - (i) services provided by the production, exploration, legal, financial, procurement, transportation, insurance, accounting and IT divisions of the Contractor and/or its Affiliates; and
  - (ii) scientific or technical services such as engineering, laboratory analysis, geophysical and geological interpretation, reservoir studies, drilling supervision, petroleum engineering, petroleum transportation studies and commercial analysis.

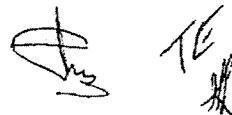
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- (g) Any Taxes (but excepting those referred to in paragraphs (d), (e), (f), (g), (h), (i), (j), (k) and (l) of Section 8.1.) as a direct consequence of incurring any Recoverable Costs identified in other provisions this Section 5;
- (h) Contributions to the Abandonment Fund payable in accordance with Article 27.6 as well as any costs designated Recoverable Costs pursuant to Article 27.5(e);
- (i) Training Employees based in Brunei Darussalam;
- (j) Fuel, electricity, heat, or other energy sources, water and other utilities;
- (k) Acquiring, leasing, installing, operating or otherwise using, repairing and maintaining communications systems;
- (l) Carrying out health, safety and environmental programs in Brunei Darussalam;
- (m) Carrying out geophysical and/or environmental surveys;
- (n) Providing or having available pollution containment and removal equipment and incurred in controlling, cleaning up and remedying any Petroleum contamination;
- (o) Legal services (other than services referred to in Section 5.3(f)) provided by third parties, unless such costs are considered Non-Recoverable pursuant to paragraph (p) of Section 8.1;
- (p) Bank charges for banking or similar types of services in relation to establishing, maintaining and operating of any bank accounts directly related to Petroleum Operations;
- (q) Relocation of Employees, their immediate families (limited to their spouses and dependents) and their personal and household effects:
- (i) from a location of such Employee's prior employment or permanent residence to Brunei Darussalam; and

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- (ii) from Brunei Darussalam to the location of such Employee's prior employment or permanent residence;
- (r) Subject to compliance with Article 17:
  - (i) and subject further to Sections 5.4 and 10, any costs incurred in acquiring or otherwise furnishing Project Assets at net cost including, without limitation, export broker's fees, applicable insurance costs, transportation charges (up to the utilisation site), loading and unloading fees, import duties, licence fees and demurrage associated with the procurement of such Project Assets, less rebates and discounts taken and in-transit losses not covered by insurance, consumable Materials (including, without limitation, fuels, lubricants and other Petroleum products);
  - (ii) restocking and consignment fees;
  - (iii) costs directly related to the disposal of Project Assets;
  - (iv) so far as is reasonably practical and consistent with efficient and economical Petroleum Operations, only such Project Assets shall be acquired or otherwise furnished for the purposes of Petroleum Operations, and the costs thereof shall be charged to the Petroleum Account, as may be required for immediate use in Petroleum Operations.
- (s) the cost of preparing Gas Marketing Plans;
- (t) payment by the Contractor of PetroleumBRUNEI's costs incurred pursuant to Article 11.5;
- (u) the cost of Petroleum Audits;
- (v) the cost incurred by the Contractor (other than the Operator) in complying with Section 3.2; and
- (w) the cost of an independent reserve reports required pursuant to Article 10.7(a)(ix).

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- 5.4 Any services provided by the Contractor or its Affiliates (other than the Operator) shall be provided pursuant to services agreements entered into between the Operator and the relevant Contractor Party (or Affiliate) on an arms length basis in accordance with Article 17.
- 5.5 Claims for such costs shall be supported by invoices, documentation, timesheets or other evidence reasonably required by PetroleumBRUNEI.
- 5.6 Charges for facilities, Materials, utilities and services belonging to or provided by (as the case may be) a Contractor Party or any of its Affiliates shall reflect the actual cost of providing the relevant item on a no-gain-no-loss basis and shall not exceed the average commercial rates charged by non-affiliated third parties then prevailing for like facilities, Materials, utilities and services for use in the area where the same are used hereunder. On request, the Operator shall furnish PetroleumBRUNEI a list of rates and the basis of application.

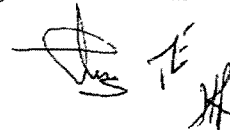
6. **Administrative overheads**

6.1 General

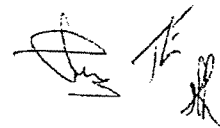
In addition to Recoverable Costs referred to in Section 5.3 and subject to Section 6.2 below, Recoverable Costs shall also include administrative overheads charged by the Operator to Petroleum Account as part of Operating Costs. Such administrative overheads shall be deemed to cover such actual costs incurred by the Operator and its Affiliates outside Brunei Darussalam for the purposes of Petroleum Operations that cannot, without unreasonable efforts and/or expenditures or without the release of confidential information proprietary to such the Operator or its Affiliates, be directly charged pursuant to Section 5.3.

6.2 Determination

Any administrative overheads referred to in Section 6.1 above shall be calculated by applying the percentages and rates set forth in the following table to the overall amounts of Exploration Costs, Development Costs and Operating Costs incurred as per the relevant Approved Budget:

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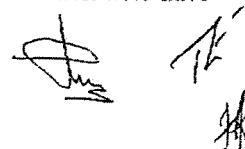
<u>Overall amounts of Exploration, Development and Operating Costs incurred as per Approved Budget</u>	<u>Applicable percentage or rate</u>
<u>Exploration Costs (USD)</u>	
0 to 5 million	2.0
5 to 10 million	1.0
Above 10 million	0.5
<u>Development Costs (USD)</u>	
0 to 5 million	2.0
5 to 10 million	1.0
Above 10 million	0.5
<u>Operating Costs (USD)</u>	
0 to 5 million	2.0
5 to 10 million	1.0
Above 10 million	0.5



7. **Incidental proceeds**7.1 Credits against Recoverable Costs

Recoverable Costs shall be reduced through the application of the following credits:

- (a) any proceeds received by the Contractor from any insurance coverage maintained in accordance with Article 26 or otherwise for the purposes of Petroleum Operations;
- (b) any proceeds received by the Contractor from any subcontractors under warranties or otherwise in connection with defective Project Assets, the costs of which are considered Recoverable Costs;
- (c) any proceeds received by the Contractor from any sale of any Project Assets in accordance with Article 21, to the extent the Recoverable Costs of such Project Assets have been recovered out of the Cost Pool;
- (d) any proceeds received by the Contractor from the sale or other disposal of any intellectual property, the costs of developing which having been designated Recoverable Costs, to the extent such costs have been recovered out of the Cost Pool;
- (e) any proceeds received by the Contractor from rendering any services relating to Petroleum Operations or providing access to, and/or authorising the use of any Project Assets, including on the basis of tariff arrangements with third parties;
- (f) any proceeds received by the Contractor as a result of any court or arbitration judgements, settlement of claims or disputes, or otherwise arising in connection with Petroleum Operations;
- (g) any realised gains resulting from the exchange of currencies for the purposes of Petroleum Operations;
- (h) any excess funds remaining in the Abandonment Fund at the due completion of all Petroleum Operations referred to in Article 27.5, to the extent that the contributions to the Abandonment Fund made pursuant to Article 27.6 have



been recovered out of the Cost Pool at the time of due completion of such Petroleum Operations;

- (i) any interest accrued on any bank account(s) referred to in Section 1.8(f), except for any interest accrued on the Abandonment Fund; and
- (j) any other proceeds, offsets, credits or refunds received by the Contractor in cash or in kind in connection with Petroleum Operations where the costs of such Petroleum Operations are considered Recoverable Costs and always excluding any of the proceeds which are referred to in Section 7.3.

7.2 Excess credits against Recoverable Costs

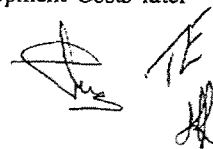
- (a) If in any Calendar Quarter credits referred to in Section 7.1 above exceed the amount of Recoverable Costs outstanding in such Calendar Quarter, such excess shall be carried forward to the following Calendar Quarter.
- (b) If credits referred to in Section 7.1 above exceed the amount of all Recoverable Costs outstanding in Petroleum Operations at the end of the Term, such accumulated excess shall promptly be paid to PetroleumBRUNEI.

7.3 Treatment of certain interest proceeds

Any interest accrued on the Abandonment Fund shall be retained as part of the Abandonment Fund and credited towards Petroleum Operations referred to in Article 27.5 or otherwise disposed of pursuant to Article 27.6(e).

7.4 Order of credits against Recoverable Costs

Any credits against Recoverable Costs pursuant to Section 7.1 received earliest shall be applied against Recoverable Costs earliest, PROVIDED that in each Calendar Quarter Operating Costs shall be so credited against first, Development Costs later and Exploration Costs last.

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7.5 Participation

The credits referred to in Section 7.1 above shall be taken into account in determining the portion of Costs Petroleum BRUNEI would be expected to bear in the event that it elects to exercise its option to participate pursuant to Article 24.

8. **Costs and expenses not allowed for cost recovery**

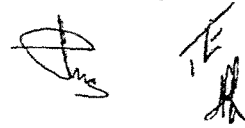
8.1 Non-Recoverable Costs

The following costs (whether directly as such or indirectly as part of any Recoverable Costs) shall be referred to in this Agreement as Non-Recoverable Costs and shall be excluded from the calculation of Cost Oil or Cost Gas:

- (a) any costs incurred prior to the Commencement Date including costs in respect of the preparation, negotiation or execution of this Agreement;
- (b) any costs incurred in preparation, negotiation, signing or otherwise agreeing any amendment, extension or other modification of the terms of this Agreement (whether as part of this Agreement, as a side document or otherwise);
- (c) any costs incurred in obtaining, furnishing and maintaining any guarantees required pursuant to the Agreement, including, without limitation, under Articles 8.5 and 33.3;
- (d) any Excess Revenue Payments;
- (e) any Royalty Oil or Royalty Gas;
- (f) any income tax payments under the Income Tax (Petroleum) Act (Cap. 119) or other similar taxes on income charged in Brunei Darussalam, if any;
- (g) any income tax, profits tax or other similar taxes on income charged outside Brunei Darussalam;
- (h) any Taxes (other than those referred to in Section 8.1(f)) which are not charged as a direct consequence of incurring any Recoverable Costs identified in Sections 5.3 (except for Section 5.3(g)), 10 or 11;

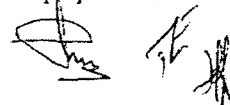
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- (i) any taxes or fiscal payments charged outside Brunei Darussalam or Taxes, in respect of which the Contractor is entitled to reimbursement or refund hereunder or otherwise;
- (j) any bonus payments referred to in Article 13.3;
- (k) any research and development contribution referred to in Article 18;
- (l) any payments to PetroleumBRUNEI referred to in Article 20.2;
- (m) any costs incurred as annuity, royalty or other such recurring payment relating to the acquisition of a Percentage Interest where the corresponding receipt would have been taxable under Section 12 of the Income Tax (Petroleum) Act (Cap. 119) but for the application of Section 10(A)(8) thereof;
- (n) any payments made from the Abandonment Fund;
- (o) the costs (including the cost of legal advice) of any litigation, arbitration or any other dispute resolution, determination or mediation proceedings in respect of any disputes or controversies:
  - (i) incurred as a result of a breach by the Contractor of Applicable Law;
  - (ii) arising in connection with the Wilful Misconduct of any Contractor Party, their Affiliates or subcontractors;
  - (iii) between any of the Contractor Parties and/or Affiliates; or
  - (iv) between a Contractor Party and PetroleumBRUNEI, the Government or any Government agency, including, without limitation, any Expert determination or arbitration proceedings referred to in Articles 30 and 31;
- (p) the costs of legal services if the cost of such services shall exceed fifty thousand US Dollars (USD75,000), or in case of legal services in respect of any Development Operations, one hundred thousand US Dollars (USD150,000), without PetroleumBRUNEI's specific and express prior approval in writing; or

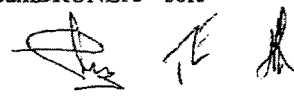




- (q) any costs incurred as fines, penalties or other liabilities (whether as a result of court or arbitration judgements, settlement of claims or disputes, or otherwise), if such fines, penalties or liabilities:
- (i) are imposed under any Applicable Law;
  - (ii) result from a Wilful Misconduct of any of the Contractor Parties, its Affiliates or subcontractors;
  - (iii) are payable to, or are otherwise for the benefit of, any Contractor Party and/or their Affiliates; and
  - (iv) are payable to, or are otherwise for the benefit of, PetroleumBRUNEI, the Government and/or any Government agency, including, without limitation, as a result of any Expert determination or arbitration proceedings referred to in Articles 30 and 31;
- (r) any costs incurred as interest charges on borrowings, loans and advances, as well as export credit premiums and all other borrowing costs and other sums paid in relation to the arrangement, provision or securing of finance (including, without limitation, costs of guarantees and professional or advisory fees and expenses as well as any element of financial lease, deferred payment or other arrangements, which is in the nature of interest) and all losses resulting from any hedge arrangements or other derivatives;
- (s) any costs recoupable under an indemnity;
- (t) any costs incurred by the Contractor under an indemnity given under the Agreement;
- (u) any costs incurred as payments to any pension, provident or other society or fund (other than costs relating to Employees) unless and until otherwise agreed with PetroleumBRUNEI in writing, such agreement being entirely at PetroleumBRUNEI's sole discretion and always subject to the prior approval of the Collector;
- (v) any costs of transportation of Project Assets from a location of Petroleum Operations to another location, other than solely for the purposes of



- Petroleum Operations (e.g. to the location of another project not subject to this Agreement);
- (w) any costs referred to in Sections 5.3(b) and 5.3(q) which have not been incurred in accordance customary practice of the Operator and/or its Affiliates;
  - (x) any costs which are incurred and/or determined
    - (i) in breach of the terms of this Agreement, including, without limitation, in excess of ceilings and/or contrary to other requirements, qualifications or restrictions provided under this Agreement (such as *inter alia* those set out in Articles 9, 10, 14, 17, 26, 27 and 28.4 and in Sections 3.2(c), 5.3(f) and 6); or
    - (ii) under contracts and arrangements (or amendments, extensions or other modifications thereto) which under the terms hereof are subject to approval of PetroleumBRUNEI or result from a tendering procedure that is subject to approval of PetroleumBRUNEI, and such approval has not been obtained or deemed obtained;
  - (y) any costs in respect of which records are required to be maintained in accordance with the terms of the Agreement and are not so maintained, or which are required to be included in a report contemplated in Article 22.1 and Section 2.1 and which have not been so included or described;
  - (z) any costs incurred as loss of profits, production, opportunity or as a consequential or indirect loss;
  - (aa) any costs incurred in respect of Employees which are excessive and not in accordance with the Operator's customary practice (e.g. lavish or extravagant bonuses, pensions, holidays, vacations, travel, entertainment, severance payments or other excessive Employee costs, expenses and benefits);
  - (bb) any costs incurred in carrying out archaeological surveys, unless and until otherwise specifically and expressly agreed with PetroleumBRUNEI in writing, such agreement being entirely at PetroleumBRUNEI's sole discretion; and

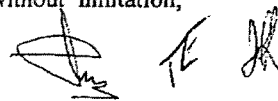


- (cc) any costs incurred as donations or gifts to any institution of public character in Brunei Darussalam.

8.2 Other non-recoverable costs and expenses

For the avoidance of doubt, other costs and expenses that are not considered Recoverable Costs shall include:

- (a) any costs and expenses incurred in marketing, sales, insurance and transportation of Petroleum beyond the Delivery Point (e.g. such costs as commissions and brokerage, expense of cargo inspection, survey, testing, measurement, assays and sampling of Crude Oil, all vessel freight and associated delivery costs including light dues, lightering, pilotage, demurrage, multi-port discharge costs, port and agency costs, in-transit losses, insurance premiums incurred on charterer's liability insurance and protection and indemnity insurance);
- (b) any costs and expenses incurred after the expiry of the Term of the Agreement;
- (c) any costs and expenses incurred by any Contractor Party in connection with an assignment of a Percentage Interest in accordance with Articles 24 and 33 and the Joint Operating Agreement;
- (d) any costs and expenses incurred by any Contractor Party and owed to another Contractor Party pursuant to the Joint Operating Agreement, including as a premium paid in connection with the reinstatement of its rights in an exclusive operation thereunder;
- (e) any costs and expenses incurred in creating any partnership or joint venture arrangement other than any such arrangement created pursuant to the Joint Operating Agreement;
- (f) any costs and expenses incurred in performing audits carried out for the benefit or at the request of any of the Contractor Parties, its Affiliates, shareholders, creditors or other interested third parties, save for the audits and reviews which are conducted in accordance with the terms of this Agreement for the purposes of Petroleum Operations, including, without limitation,

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reviews of health, safety and environment, value assurance reviews, business controls reviews and operational reviews as well as those audits and tax inspections which are referred to in Article 22; and

- (g) any costs and expenses incurred in carrying out, or as payment for, inventories pursuant to Section 10.2(d).

9. **Non-duplication of charges and credits**

Notwithstanding any provision to the contrary in these Accounting Procedures, it is the Parties' intention that there shall be no duplication of any charges and credits to the Petroleum Account hereunder.

10. **Materials, records and inventories**

10.1 Conditions of Materials from Contractor Parties' and/or their Affiliates' stock

The Contractor and its Affiliates may, subject to obtaining the prior written consent of PetroleumBRUNEI, furnish Materials for the purposes of Petroleum Operations from their own stock on following conditions:

(a) **New Materials (Condition 1)**

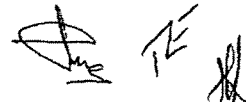
Any new Materials furnished from the Contractor and/or its Affiliates' own stock shall be classified as "Condition 1 Materials" and the Costs incurred in their furnishing shall be determined on the basis of the lesser of ninety percent (90%) of:

- (i) their net book value;
- (ii) or their net cost,

as determined in accordance with Section 5.3(r) above.

(b) **Used Materials (Condition 2 and Condition 3)**

- (i) Any used Materials which are in sound and serviceable condition and suitable for use without repair or reconditioning shall be classified as "Condition 2 Materials" and the Costs incurred in their furnishing



shall be determined on the basis of the lesser of seventy percent (70%) of:

- (A) their net book value; or
  - (B) the net cost for like Condition 1 Materials as determined pursuant to Section 10.1(a).
- (ii) Any used Materials not meeting the requirements for Condition 2, but which can be made suitable for use after repair or reconditioning, shall be classified as "Condition 3 Materials" and the Costs incurred in their furnishing shall be determined on the basis of lesser of forty percent (40%) of:
- (A) their net book value; or
  - (B) the net cost for like Condition 1 Materials as determined pursuant to Section 10.1(a),

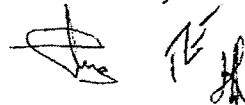
The costs of repair and reconditioning shall be taken into account in determining their net book value or net costs (as the case may be), PROVIDED that the costs incurred in furnishing such Condition 3 Materials plus the costs of their repair and reconditioning does not exceed the costs incurred in furnishing the like Condition 2 Materials and PROVIDED further that such Condition 3 Materials meet the requirements for Condition 2 Materials upon being repaired or reconditioned.

(c) Other Materials

The Costs incurred in furnishing used Materials which cannot be classified as Condition 2 Materials or Condition 3 Materials, shall be decided jointly by PetroleumBRUNEI and supplying Contractor Party and shall be commensurate with their use and condition.

(d) Warranty of Materials

The Contractor Parties and/or its Affiliates shall not be required to warrant Materials supplied by them beyond the supplier's or manufacturer's warranty

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and, in the case of defective Materials, any shortfall from the adjustments received from suppliers or manufacturers, or their agents, shall be credited against Recoverable Costs pursuant to Section 7.1 at such time when the adjustment is received.

10.2 Records and inventories of Project Assets

- (a) The Contractor shall keep as part of the Petroleum Account detailed records of Project Assets in accordance with Good Oilfield Practice. Such records shall include information on quantities, location and condition of such Project Assets and whether such Project Assets are leased, owned or otherwise held.
- (b) The Contractor shall annually notify PetroleumBRUNEI of the particulars of all Project Assets as of the date of such notice.
- (c) The Contractor shall take periodic physical inventories of all Project Assets at reasonable intervals but no less frequently than (i) annually in respect of Materials (such as, without limitation, spare or replacement parts, consumables and sundries) and (ii) once every three (3) consecutive Calendar Years in respect of other Project Assets. The Contractor shall give PetroleumBRUNEI sixty (60) day prior notice of its intention to take any such inventory to allow PetroleumBRUNEI to be represented at such inventory. Concurrently with notifying PetroleumBRUNEI as provided above in this Section 10.2(c), the Contractor shall agree with PetroleumBRUNEI on the relevant inventory procedures (including, without limitation, the details of the pricing method(s) intended to be used) to be adopted.
- (d) When an assignment of a Percentage Interest takes place, a special inventory shall be taken by the Contractor at the request of the assignor and/or assignee, PROVIDED that the cost of such inventory is borne by the assignor and/or assignee and paid to the Contractor.
- (e) The Contractor shall provide PetroleumBRUNEI with a full report of the results of an inventory within sixty (60) days of having taken such inventory. Any such report shall contain a reconciliation of the results of the inventory with the Petroleum Account as well as a list of all surpluses, shortages, damages and losses with a reasonable explanation of the reasons thereof. The



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Contractor shall and in accordance with Section 4 adjust the Petroleum Account based on any such report.

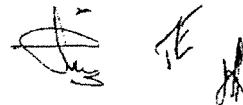
11. **Further specification and classification of Recoverable Costs**

Further to such other classifications as may be required hereunder, all Recoverable Costs shall be without duplication classified in accordance with the purposes for which they are incurred, as either Operating Costs or Capital Costs with Capital Costs being further segregated into Exploration Costs and Development Costs. Administrative overheads shall be fully allocated to Operating Costs. These categories of Recoverable Costs are defined below in this Section 11.

11.1 **Operating Costs**

Operating Costs shall include all Recoverable Costs other than Capital Costs (being Exploration Costs and Development Costs). Operating Costs shall include, without limitation, the following Recoverable Costs:

- (a) any Recoverable Costs of Materials (such as, without limitation, spare or replacement parts, consumables and sundries);
- (b) any Recoverable Costs incurred as contributions to the Abandonment Fund pursuant to Article 27.6(b);
- (c) any Recoverable Costs incurred as premiums paid for insurance required for Petroleum Operations under Article 26.1(a) as well as any Recoverable Costs incurred in replacing, repairing or otherwise rectifying any loss, damage, liability or other consequence of an event insured under Article 26.1(a), which are in excess of the relevant insurance proceeds; and
- (d) all other Recoverable Costs as may be allocated to Operating Costs under this Section 11.

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11.2 Exploration Costs

Exploration Costs shall include the following Recoverable Costs:

- (a) any Recoverable Costs of surveys and studies including aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies, soil tests, environmental impact studies, reservoir studies and other similar studies and their respective interpretation;
- (b) any Recoverable Costs of drilling, deepening, plugging-back, sidetracking, testing, completion and re-completion of Exploration Wells or Appraisal Wells PROVIDED that such Exploration Wells or Appraisal Wells are not completed as production Wells;
- (c) any Recoverable Costs of Materials used for Exploration Wells or Appraisal Wells PROVIDED that such Exploration Wells or Appraisal Wells are not completed as production Wells;
- (d) any Recoverable Costs of labour and services used in carrying out the activities referred to in paragraphs (a), (b) and (c) above of this Section 11.2;
- (e) any Recoverable Costs of facilities used in support of activities referred to in paragraphs (a), (b), (c) and (d) above of this Section 11.2, the Recoverable Costs of each such facility separately identified;
- (f) any Recoverable Costs of screening studies relating to new transportation facilities and the handling or disposal of Petroleum and by-products of Petroleum Operations (including, without limitation, sulphur, nitrogen and helium);
- (g) all other Recoverable Costs as may be allocated to Exploration Costs under this Section 11.

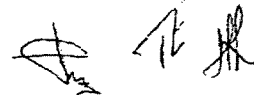
11.3 Development Costs

Development Costs shall include the following Recoverable Costs other than Operating Costs or Exploration Costs:

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- (a) any Recoverable Costs of surveys and studies relating to environmental research, transportation and handling of Petroleum and by-products of Petroleum Operations, engineering and design, in each case as required for preparation and implementation of an Approved Development Plan;
- (b) any Recoverable Costs of drilling, deepening, plugging-back, sidetracking, testing, completion and re-completion of production Wells, whether such production Wells are dry or producing, or Injection Wells, including, without limitation, installation of production casing and tubing;
- (c) any Recoverable Costs of drilling, deepening, plugging-back, sidetracking, testing, completion and re-completion of Exploration Wells or Appraisal Wells, PROVIDED that such Exploration Wells or Appraisal Wells are completed as production Wells;
- (d) any Recoverable Costs of Materials used in the implementation of an Approved Development and Production Plan or used for Exploration Wells or Appraisal Wells, PROVIDED that such Exploration Wells or Appraisal Wells are completed as production Wells;
- (e) any Recoverable Costs of labour and services used in carrying out the activities referred to in paragraphs (a), (b), (c) and (d) above of this Section 11.3;
- (f) any Recoverable Costs of facilities used for production, processing, transportation and storage of Petroleum and by-products of Petroleum Operations, including, without limitation, platforms, pipelines, sea lines, flow lines, production units, processing units, treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, Petroleum and by-products storage facilities, terminals, piers, harbours and related facilities access roads and such other facilities used in support of activities referred to in paragraphs (a), (b), (c), (d) and (e) above of this Section 11.3, the Recoverable Costs of each such facility separately identified; and
- (g) any Recoverable Costs incurred after the Commencement Date and before the Commerciality Date which would have constituted Operating Costs (as defined in Section 11.1) had they been incurred after the Commerciality Date.

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**12. Taxation**

The liability of each Contractor Party to pay income tax pursuant to Article 13.2 shall be subject to the following terms (but always in accordance with the Income Tax (Petroleum) Act (Cap. 119):

**12.1 Tax base**

The basis of each Contractor Party's individual income tax returns shall be its chargeable profits determined pursuant to Section 12.3 for the relevant basis period on the basis of the Petroleum Account. Any such income tax returns shall be filed in Brunei Dollars and any resulting income tax liability may be assessed in US Dollars or in Brunei Dollars. [If any such income tax liability is assessed in Brunei Dollars, it shall be calculated in US Dollars and translated into Brunei Dollars on the date of such assessment.]

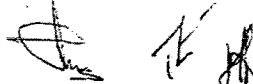
**12.2 Gross proceeds**

Subject to the provisions of Section 12.4, each Contractor Party's gross proceeds for a basis period shall be based on the Petroleum Account and shall be the value (calculated on the basis of the relevant Individual Market Value) of such Contractor Party's Percentage Interest share of the Contractor's Entitlement determined under the Agreement for such basis period.

**12.3 Chargeable profits**

Subject to the provisions of Section 12.4, the chargeable profits of each Contractor Party for a basis period on the basis of the Petroleum Account shall be the remainder of the gross proceeds referred to in Section 12.2 after the following deductions shall have been made:

- (a) such Contractor Party's Percentage Interest share of all Recoverable Costs recoverable in the relevant basis period (being Recoverable Costs carried forward from preceding basis period(s) and/or incurred during the relevant basis period) out of such Contractor Party's Percentage Interest share of the Cost Pool;

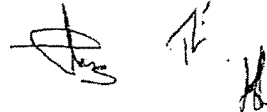


- (b) such Contractor Party's share in the following liabilities both incurred pursuant to the Agreement during the relevant basis period and those carried forward from preceding basis period(s) in which such liabilities had not been deducted for the purposes of the Income Tax (Petroleum) Act (Cap.119) (to the extent that any such deduction does not result in an income tax loss):
- (i) such Contractor Party's contribution towards Excess Revenue Payments made by the Operator pursuant to Articles 12.5 and 12.9, which contribution shall be determined on the basis of such Contractor Party's Percentage Interest share of the Contractor's Profit Oil and Profit Gas and the value of such share (calculated on the basis of the relevant Individual Market Value);
  - (ii) such Contractor Party's contribution towards the amounts paid by the Operator as a research and development contribution pursuant to Article 18, which contribution shall be determined as an appropriate percentage of such Contractor Party's gross proceeds referred to in Section 13.2;
  - (iii) such Contractor Party's Percentage Interest share of the amounts paid by the Operator to PetroleumBRUNEI pursuant to Article 20.2; and
- (c) the amount representing the difference (if any) by which the amounts deductible by such Contractor Party pursuant to paragraph (a) of this Section 13.3 in the immediately preceding basis period, have exceeded the amount of such Contractor Party's gross proceeds calculated pursuant to Section 13.2 for such basis period;

the deductions specified in paragraphs (a), (b) and (c) of this Section 12.3 being the amounts referred to in section 10A(4) of the Income Tax (Petroleum) Act (Cap.119).

12.4 Allocation by reference to individual positions of Contractor Parties

In calculating the gross proceeds and chargeable profits of the Contractor Parties pursuant to Sections 12.2 and 12.3, the amounts corresponding to the Contractor Parties' respective Percentage Interest shares referred to in Sections 1.2, 12.2 and 12.3 shall be adjusted (taking into account advice to that effect by any Contractor Party submitted to the Collector as part of the relevant income tax return) to reflect

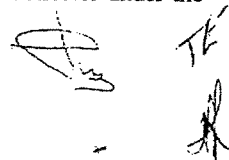


disproportionate allocations (if any) between Contractor Parties of the Contractor's Entitlement, Recoverable Costs and/or the Contractor's liabilities under the Agreement, other than pro rata to their Percentage Interests, always PROVIDED that:

- (a) any such disproportionate allocation occurs between Contractor Parties only;
- (b) any such disproportionate allocation does not in any way cause a reduction of the total income tax liability of all Contractor Parties as compared with the position that would arise if no disproportionate allocation was made; and any such adjustment shall be made only:
  - (i) where such adjustment reflects any such disproportionate allocation made pursuant to (i) Article 24 or (ii) as provided in the Joint Operating Agreement;
  - (ii) where such adjustment reflects any such disproportionate allocation resulting from actual liftings of Petroleum by the Contractor Parties;
  - (iii) where such adjustment reflects any such disproportionate allocation made pursuant to farm-in or similar arrangements in respect to this Agreement, in which any of the Contractor Parties participates; and
  - (iv) in other cases as may be agreed with the Collector.

12.5 No prejudice to rights and powers of the Collector

Notwithstanding any other provision of these Accounting Procedures, the provisions hereof shall be without prejudice to the rights and powers of the Collector under the Income Tax (Petroleum) Act (Cap. 119).

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# ANNEX C

First Phase of Exploration Period:

Proposed Exploration and Related Activities	Physical Quantity	Proposed Expenditure in US\$
Geological study	Gravity, remote sensing, data assimilation and field work	[REDACTED]
Re-processing of seismic data	[REDACTED] km depending on tape availability	[REDACTED]
Seismic Surveys		
Amount of 2D	[REDACTED] km on shore	[REDACTED]
	[REDACTED] km off shore	[REDACTED]
Amount of 3D	[REDACTED] sq. km off shore	[REDACTED]
Drilling		
No. of exploration wells	[REDACTED] wells	[REDACTED]
Meterage of each well	2000 meters	
	2000 meters*	
* budgeted as on shore well but could be an off shore wells in which case the well cost would increase		
Total meterage	4000 meters	
Total minimum expenditure for the Exploration Period		20,500,000 US\$

Second Phase of Exploration Period:

Proposed Exploration and Related Activities	Physical Quantity	Proposed Expenditure in US\$
Geological study	Field work	[REDACTED]
Re-processing of seismic data	N/A	
Seismic Surveys		
Amount of 2D	[REDACTED] km on shore	[REDACTED]
	[REDACTED] km off shore	[REDACTED]
Amount of 3D	[REDACTED] sq. km off shore	[REDACTED]
Drilling		
No. of exploration wells	[REDACTED] wells	[REDACTED]
Meterage of each well	2000 meters	
	2000 meters*	
* budgeted as on shore well but could be an off shore wells in which case the well cost would increase		
Total meterage	4000 meters	
Total minimum expenditure for the Exploration Period		16,000,000 US\$

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ANNEX D

## Parent Company Guarantee

Loon Energy Inc

and

Brunei National Petroleum Company Sendirian Berhad

in relation to Loon Brunei Limited's obligations under a  
production sharing contract for Block L in Brunei Darussalam

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The Guarantor shall not be exonerated or released from its obligations under this Guarantee by time being given to the Subsidiary by the Company or by any consent, concession waiver or any other arrangement granted or made by the Company to or with the Subsidiary or by anything that the Company or the Subsidiary may do or omit or neglect to do (including, but without limitation, the assertion or failure or delay to assert any right or remedy of the Company or the pursuit of any rights or remedies by the Company or the giving by the Subsidiary of any security or the release, modification or

3.

shall indemnify the Company in respect of any claim, demand, proceedings or liability, loss, damage, costs or expenses arising out of any breach by the Subsidiary of any term, obligation or warranty in the PSA or any failure by the Subsidiary to perform each and all of the obligations, duties and undertakings of the Subsidiary when and if such obligations, duties and undertakings become due and performable according to the terms of the PSA.

2.2

irrevocably and unconditionally guarantees to the Company as a continuing guarantee the due and punctual performance by the Subsidiary of each and all of the obligations, duties and undertakings of the Subsidiary under and pursuant to the PSA when and if such obligations, duties and undertakings shall become due according to the terms of the PSA and the due payment and discharge of all such sums of money and liabilities due, owing or incurred or payable and unpaid by the Subsidiary to the Company pursuant to the PSA or as a result of any breach thereof (including all costs and expenses, including without limitation legal fees and taxes incurred by the Company in connection with the Company seeking to enforce any of the above) as if it were sole principal obligor and not merely a guarantor; and

2.1

In consideration of the Company entering into the PSA with the Subsidiary, the Guarantor for itself, its successors and assigns:

2.

In this Guarantee (including the recitals) words and expressions shall have the same meanings as are respectively assigned to them in the PSA.

1.

**THE PARTIES AGREE AS FOLLOWS:**

(B) The Guarantor has agreed to guarantee the performance by the Subsidiary of its obligations under the PSA in the manner hereinafter appearing.

(B)

(A) This Guarantee is supplemental to a production sharing agreement made on 28<sup>th</sup> August 2006 (the "PSA") between the Company and Loon Brunei Limited, a company incorporated under the laws of Cyprus, with its registered office at 27 Pindarou Street, Alpha Business Centre, 1060 Nicosia, Cyprus (the "Subsidiary") pursuant to which the Subsidiary has agreed, inter alia, to share in the exploration and production of petrochemical reserves in Block L in Brunei Darussalam.

(A)

**WHEREAS**

(2) **BRUNEI NATIONAL PETROLEUM COMPANY SENDIRIAN BERHAD**, a company incorporated under the Companies Act (Cap 39) having its registered address at Unit 2.02, 2nd Floor, Block D, Yayasan Sultan Haji Hassanal Bolkhiah Complex, Jalan Prety, Bandar Seri Begawan, Brunei Darussalam (the "Company").

(2)

(1) **LOON ENERGY INC** (the "Guarantor") a company incorporated under the laws of Alberta, Canada, of 1950, 700 4th Avenue SW, Calgary, Alberta, T2P 3J4, Canada; and

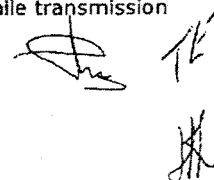
(1)

**BETWEEN:**

**THIS GUARANTEE** is made on ● day of ● 2006

exchange of any such security for the liability of any persons) which, but for this provision, might exonerate the Guarantor or otherwise reduce its liabilities hereunder.

4. The Guarantor hereby authorises the Subsidiary and the Company to make any addendum or variation however fundamental to the PSA, the due and punctual performance of which addendum or variation shall be likewise guaranteed by the Guarantor in accordance with the terms of this Guarantee. The obligations of the Guarantor hereunder shall in no way be affected by any variation or addendum to the PSA.
5. This Guarantee is a continuing guarantee and, accordingly, shall remain in operation until all obligations, warranties, duties and undertakings now or hereafter to be carried out or performed by the Subsidiary under the PSA shall have been satisfied or performed in full and is in addition to and not in substitution for any other security which the Company may at any time hold for the performance of such obligations and may be enforced against the Guarantor without first having recourse to any such security and without taking any steps or proceedings against the Subsidiary or any other person.
6. Neither the liability of the Guarantor hereunder nor the rights of the Company in relation to this Guarantee shall be discharged or impaired by reason of the winding up, dissolution, administration, ownership of the Guarantor or the Company or any other person or any change in the ownership of the Subsidiary or by any other act, event or omission which might, but for the provisions of this Guarantee, operate to discharge, impair or otherwise affect any of the obligations or liabilities of the Guarantor hereunder or any of the rights, remedies or powers conferred upon the Company.
7. All sums payable under this Guarantee shall be paid in full free and clear of and without deduction of or withholding for or on account of any present or future taxes, duties and/or other charges.
8. The Guarantor shall:
  - 8.1 be entitled in any action or proceedings by the Company to raise any equivalent rights in defence of liability as the Subsidiary would have against the Company under the PSA so that except in relation to any costs and expenses (including fees and taxes) incurred in enforcing this Guarantee, the liability of the Guarantor shall be no greater than the liability which it would have had if it had been jointly and severally liable with the Subsidiary to the Company as a party to the PSA; and
  - 8.2 subject to clause 8.1, remain liable to the Company under this Guarantee for the period referred to in clause 9.
9. Until all amounts which may be or become payable by the Subsidiary to the Company under the PSA have been paid in full, the Guarantor shall, by virtue of any payment made by it under this Guarantee, not:
  - 9.1 be subrogated to any rights or security;
  - 9.2 claim, rank, prove or vote as creditor of the Subsidiary or its estate in competition with the Company; or
  - 9.3 receive, claim or have the benefit of any payment, distribution or security from or on account of the Subsidiary, or exercise any right of set-off as against the Subsidiary.
10. Any notice shall be duly signed by or on behalf of a duly authorised officer of the person giving the notice and left at or sent by recorded delivery post or by facsimile transmission to it at the following addresses:

Handwritten signatures and initials, including a large signature and the initials 'TE' and 'JK'.

**The Company**

Address: Unit 2.02, 2nd Floor, Block D, Yayasan Sultan  
Haji Hassanah Bolkiah Complex, Jalan Pretty,  
Bandar Seri Begawan, Brunei Darussalam  
Facsimile Number: +673 2230654  
Attention: The Chief Executive Officer

**The Guarantor**

Address: 1950, 700 4th Avenue SW, Calgary, Alberta,  
T2P 3J4, Canada  
Facsimile Number: +1 403 264 8877  
Attention: The Chief Executive Officer

Either party may change its address for notice to another address by prior notice to the other party.

Any notice shall be deemed to have been received:

10.1 if sent by hand or recorded delivery post, when delivered;

10.2 if sent by facsimile, upon sending, subject to:

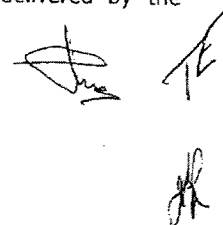
- (a) confirmation of uninterrupted transmission by a transmission report; and
- (b) there having been no telephonic communication by the recipient to the sender (any such telephone communication to be confirmed in writing) that the facsimile has not been received in legible form:

- (i) within three hours after sending, if sent on a Business Day and between the hours of 9.00 am and 4.00 pm; or
- (ii) by noon on the next following Business Day if sent after 4.00 pm on a Business Day but before 9.00 am on the following Business Day,

provided that any notice given by fax shall be confirmed by letter sent by hand or post, but without prejudice to the original fax notice if received in accordance with this clause 10.2(b).

11. If any dispute or difference arises between the Guarantor and the Company in connection with this Guarantee which cannot be resolved by mutual agreement, it shall be referred to the jurisdiction of the English Courts. This Guarantee shall be governed by and construed in accordance with English law.

**IN WITNESS** whereof this Guarantee has been executed as a deed and delivered by the Guarantor the day and year first before written.




THIS DEED is made on )  
 2006 )  
 IN WITNESS whereof this agreement )  
 has been executed as a deed and )  
 delivered on the date first above written  
 Signed as a deed by

**LOON ENERGY INC** acting by  
 [*name of individual*] and [*name of individual*]  
 [*individual*] duly authorised  
 under the laws of Alberta, Canada  
 on behalf of **LOON ENERGY INC**

THIS DEED is made on )  
 2006 )  
 IN WITNESS whereof this agreement )  
 has been executed as a deed and )  
 delivered on the date first above written  
 Signed as a deed by

**BRUNEI NATIONAL PETROLEUM COMPANY SENDIRIAN BERHAD**  
 acting by  
 [*name of individual*] and [*name of individual*]  
 [*individual*] duly authorised  
 under the laws of Brunei Darussalam  
 on behalf of **BRUNEI NATIONAL PETROLEUM COMPANY SENDIRIAN BERHAD**


ANNEX E

APPENDIX

[HEADED NOTEPAPER OF BENEFICIARY]

To: [Name and address of Issuing Bank]

[Date]

Bank Guarantee Ref No. ● (the "Bank Guarantee")

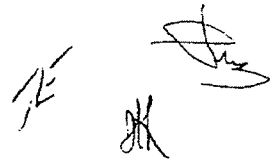
We refer to the Bank Guarantee and certify that:

- (a) we have provided the Production Sharing Agreement to the Borrower on the terms and conditions approved by you at the time of issue of the Bank Guarantee;
- (b) the terms of the Production Sharing Agreement are the same as those prevailing at the time of issue of the Bank Guarantee (or, to the extent that they are not, any amendments thereto have been approved by you);
- (c) an aggregate amount (the "Payment Amount") of ● (comprising ● of principal and ● of interest and/or other charges) fell due for payment in ● by ● on ● and remains due and unpaid at the date of this letter.

Accordingly, we hereby request payment under the Bank Guarantee of the Payment Amount. Payment is to be made to our account (A/c No. ●) with ● at ●.

Terms defined in the Bank Guarantee shall bear the same meaning in this letter.

Yours faithfully

Handwritten signatures and initials in black ink, including a large signature and several smaller initials.

For and on behalf of

FORM OF BANK GUARANTEE  
[HEADED NOTEPAPER OF ISSUING BANK]

To: [Details]

[Date]

Dear Sirs,

1.1 In this letter:

"Bank" means [details of Issuing Bank];

"Business Day" means a day (not being a Saturday, Sunday or public holiday) on which (i) banks and foreign exchange markets are open for dealings in London and (ii) banks and foreign exchange markets are open for dealings in [Brunei Darussalam];

"Payment Date" means the date for payment of a demand being [details - minimum five] Business Days after the date of receipt of demand;

"Production Sharing Agreement" means the production sharing agreement dated 28<sup>th</sup> August 2006 for Block L Brunei Darussalam between (1) Brunei National Petroleum Company Sendiran Berhad (2) Loon Brunei Limited and (3) QAF Brunei Sdn Bhd.

1.2 Words and expressions defined in or having a meaning in the Production Sharing Agreement shall, unless the context otherwise requires, have the same meaning when used in this Agreement.

2. The Bank irrevocably and unconditionally guarantees to you on receipt of written demand, the payment and discharge by the Contractor of all amounts payable or expressed to be payable to you pursuant to the Minimum Expenditure Obligations in respect of [Phase 1/Phase 2] of the Exploration Period set out in [Article 8.1/Article 8.2] of the Production Sharing Agreement. This guarantee is given subject as follows:

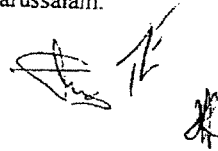
(a) Any demand made hereunder shall be made in writing addressed to the Bank or its offices at [details] (Attention: [details]) in the form provided in the appendix to this guarantee;

(b) The maximum aggregate liability of the Bank hereunder in respect of the Minimum Expenditure Obligations for [Phase 1/Phase 2] (inclusive of all principal, interest, costs and expenses) is [USD 6,833,334/USD 5,333,333].

*amyn\_bhimani@  
hsbc.ca.*

*leads to auto-renewal clause TE*  
*1) now actually guaranteeing payment*  
*2) is on behalf of amyn*

3. Any payment made hereunder shall be made on the Payment Date in [details - currency] by payment to the account of the Beneficiary at a principal bank in [details] specified in the demand.
4. This Guarantee will expire upon:
  - (a) the date upon which the Contractor has fulfilled its Minimum Expenditure Obligations for [Phase 1/Phase 2] in accordance with [Article 8.1/Article 8.2] of the Production Sharing Agreement;
  - (b) the end of [Phase 1/Phase 2]; or
  - (c) the Bank has paid the maximum aggregate liability as set out in paragraph 2(b) (as reduced in accordance with paragraph 5).
5. This guarantee is not assignable or transferable in whole or in part.
6. This guarantee shall be construed in accordance with the laws of Brunei Darussalam.



Yours faithfully

For and on behalf of  
[ISSUING BANK]