

JOINT OPERATING AGREEMENT

BY AND BETWEEN

GUINEA ECUATORIAL DE PETROLEOS

AND

PANATLANTIC OIL & GAS LTD.

AND

NOVA MARK INTERNATIONAL LIMITED

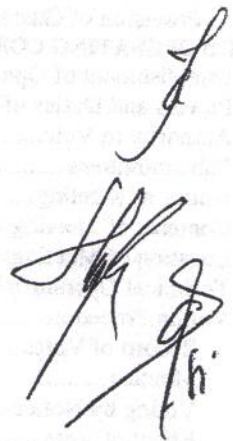
AND

ATLAS PETROLEUM INTERNATIONAL LIMITED

FOR

BLOCK "EG-02"

IN EQUATORIAL GUINEA

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JOINT OPERATING AGREEMENT

THIS AGREEMENT is made as of the -- day of _____ 2013 between:

- (1) **GUINEA ECUATORIAL DE PETRÓLEOS** (hereinafter referred to as **GEPetrol** or the **National Oil Company**), acting in its own name and legal right for the purposes of this Agreement; and
- (2) **PANATLANTIC OIL & GAS LTD.**, a company organized and existing under the laws of Bermuda under company registration number 45335 and having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (hereinafter referred to as **PANATLANTIC**).
- (3) **NOVA MARK INTERNATIONAL LIMITED**, a company organized and existing under the laws of the British Virgin Islands, under company registration number 1627284 and having an office at Unit 1102, 11/F., Tower 1, Lippo Centre, 89 Queensway, Hong Kong (hereinafter referred to as **NOVA MARK**).
- (4) **ATLAS PETROLEUM INTERNATIONAL LIMITED**, a company organized and existing under the laws of the Republic of Seychelles, under company registration number 103640 and having its registered office at 1c Barnes Street, London SW13 9LB, United Kingdom (hereinafter referred to as **ATLAS**).

The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as "**Party**" and collectively as the "**Parties**".

WITNESSETH:

WHEREAS, the Contractor entered into a production sharing contract on the 15th day of December 2012 (referred to hereinafter as the "**Contract**" or "**PSC**") with the Government, covering the exploration, exploitation and production of Hydrocarbons covering the area located offshore of the Republic of Equatorial Guinea referred to as "**Block EG-02**", which is more particularly described in Annex A and Annex B to the Contract;

WHEREAS, pursuant to Article 17.1 of the Contract, and with effect from the end of the sixth month from the Effective Date of the Contract, the Contractor may, at its sole discretion, open a branch (in accordance with Article 20 of the Hydrocarbons Law) or assign all of its rights, titles, duties and obligations to their Affiliates incorporated in Equatorial Guinea;

WHEREAS, the Contract granted to GEPetrol a twenty percent (20%) carried participation (non-working) interest in the rights, entitlements and obligations of the Contractor in and under the PSC during the Exploration Period;

WHEREAS, upon first commercial discovery in Block EG-02, the Contract provides that the Contractor (other than GEPetrol) shall pro rata grant to GEPetrol a ten percent (10%) working interest in the rights, entitlements and obligations of the Contractor in and under the Contract; and

WHEREAS, the Parties desire to define their respective rights and obligations with respect to their operations under the Contract;

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements and obligations set out below and to be performed, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

As used in this Agreement, the following words and terms shall have the meaning ascribed to them below:

- 1.17 **Consenting Party** means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.
- 1.18 **Consequential Loss** means any loss, damages, costs, expenses or liabilities caused (directly or indirectly) by any of the following arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement: (i) reservoir or formation damage; (ii) inability to produce, use or dispose of Hydrocarbons; (iii) loss or deferment of income; (iv) punitive damages; or (v) other indirect damages or losses whether or not similar to the foregoing.
- 1.19 **Contract** means the instrument identified as the "**Contract**" in the recitals to this Agreement and any extension, renewal or amendment thereto.
- 1.20 **Contract Area** has the meaning given in the Contract.
- 1.21 **Control** means the ownership directly or indirectly of more than fifty percent (50%) of the voting rights in, or more than fifty percent (50%) of the power to direct or cause the direction of the management of a corporation, partnership, limited liability company or legal entity. "**Controls**", "**Controlled by**" and other derivatives shall be construed accordingly.
- 1.22 **Cost Recovery Oil** has the meaning given in the Contract.
- 1.23 **Crude Oil** has the meaning given in the Contract.
- 1.24 **Day** means a calendar day unless otherwise specifically provided.
- 1.25 **Decommissioning** means all work required for the abandonment of Joint Property in accordance with good oil field practice and applicable legal obligations, including, where required, plugging of wells, abandonment, disposal, demolition, removal and/or cleanup of facilities, and any necessary site remediation and restoration.
- 1.26 **Decommissioning Costs** means the cost of Decommissioning.
- 1.27 **Deepening** means an operation whereby a well is drilled to a depth below the deepest objective Zone or the greatest depth theretofore approved (and actually drilled) by the Operating Committee (or in the case of an Exclusive Operation, the Consenting Parties) with respect to such well. "**Deepen**" and other derivatives shall be construed accordingly.
- 1.28 **Defaulting Party** has the meaning given in Article 8.1 of the Agreement.
- 1.29 **Delivery Point** shall have the meaning ascribed to it in the lifting agreement or in the Natural Gas balancing agreement (as the case may be) established in accordance with Article 9 of the Agreement.
- 1.30 **Development Plan** means a plan for the development of Hydrocarbons from an Exploitation Area.
- 1.31 **Development Well** means any well drilled for the production of Hydrocarbons pursuant to a Development Plan.
- 1.32 **Discovery** means the discovery of an accumulation of Hydrocarbons whose existence until that moment was unproven by drilling.
- 1.33 **Dispute** means any dispute, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this

- 1.49 **Joint Operations** mean those operations and activities carried out by Technical Operator pursuant to this Agreement, the costs of which are chargeable to all the Parties.
- 1.50 **Joint Property** means, at any point in time, all wells, facilities, equipment, materials, data and information, funds and property (other than Hydrocarbons) held for use in Joint Operations.
- 1.51 **Laws / Regulations** mean those laws, statutes, rules and regulations of Equatorial Guinea governing activities under the Contract.
- 1.52 **Minimum Work Obligations** means those work and/or expenditure obligations specified in the Article 3.1 of the Contract that must be performed failing which a financial penalty is incurred in the then current period in order to satisfy the obligations of the Contract.
- 1.53 **Natural Gas** means all Hydrocarbons (including wet gas, dry gas and residue gas) which are subject to and covered by the Contract other than Crude Oil.
- 1.54 **National Oil Company** means GEPetrol, S.A.
- 1.55 **Net Crude Oil** has the meaning given in the Contract.
- 1.56 **Non-Consenting Party** means each Party who elects not to participate in an Exclusive Operation.
- 1.57 **Non-Operator** means each Party to this Agreement other than Technical Operator.
- 1.58 **Non-Party Indemnitees** means a Party's Affiliates and the officers, directors, agents, consultants and employees of a Party, its Affiliates or both.
- 1.59 **Operating Committee** means the committee constituted in accordance with Article 5 of the Agreement.
- 1.60 **Participating Interest** means as to any Party, the undivided interest of such Party, excluding any Carried Interest, in the rights and obligations derived from the Parties' interest in the Contract and this Agreement and as further detailed in Article 3.2. Notwithstanding the foregoing, Carried Interests shall be excluded and not considered in calculating the Participating Interests of the Parties.
- 1.61 **Petroleum Operations** has the meaning given in the Contract.
- 1.62 **Plugging Back** means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. "Plug Back" and other derivatives shall be construed accordingly.
- 1.63 **Recompletion** means an operation (other than Plugging Back) whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. "Recomplete" and other derivatives shall be construed accordingly.
- 1.64 **Reworking** means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. "Rework" and other derivatives shall be construed accordingly.
- 1.65 **Royalties** has the meaning given in the Contract.
- 1.66 **Security** means: (i) an irrevocable standby letter of credit or irrevocable commercial bank guarantee issued by a bank with (a) a Long Term Issuer Credit Rating of AA- or better from Standard & Poors

ARTICLE 2
EFFECTIVE DATE, TERM AND CONDITIONS PRECEDENT

This Agreement shall have effect from the Effective Date and shall, unless terminated in accordance with its terms, continue in effect until the following occur in accordance with the terms of this Agreement: the Contract terminates; all materials, equipment and personal property used in connection with Joint Operations or Exclusive Operations have been disposed of or removed; and final settlement (including settlement in relation to any financial audit carried out pursuant to the Accounting Procedure) has been made.

Notwithstanding the preceding sentence: (i) Article 10 of the Agreement shall remain in effect until all abandonment obligations under the Contract have been satisfied; and (ii) Article 4.4(F), Article 4.6, Article 4.7, Article 8, Article 15.2, Article 18 of the Agreement and the indemnity obligation under Article 3.3(D), Article 7.3(A), Article 14.2 and Article 20.1(A) of the Agreement shall remain in effect until all obligations have been extinguished and all Disputes have been resolved. Termination of this Agreement shall be without prejudice to any rights and obligations arising out of or in connection with this Agreement which have vested, matured or accrued prior to such termination.

ARTICLE 3
SCOPE

3.1 Scope

- (A) The purpose of this Agreement is to establish the respective rights and obligations of the Parties with regard to operations under the Contract, including the joint exploration, appraisal, development, production and disposition of Hydrocarbons from the Contract Area.
- (B) For greater certainty, the Parties confirm that, except to the extent expressly included in the Contract, the following activities are outside of the scope of this Agreement and are not addressed herein:
- (1) construction, operation, ownership, maintenance, repair and removal of facilities downstream from the Delivery Point of the Parties' Entitlements;
 - (2) transportation of the Parties' Entitlements downstream from the Delivery Point;
 - (3) marketing and sales of Hydrocarbons, except as expressly provided in Article 7.12(E), Article 8.4 and Article 9 of the Agreement;
 - (4) acquisition of rights to explore for, appraise, develop or produce Hydrocarbons outside of the Contract Area (other than as a consequence of unitization with an adjoining contract area under the terms of the Contract); and
 - (5) exploration, appraisal, development or production of minerals other than Hydrocarbons, whether inside or outside of the Contract Area.

3.2 Participating Interest

- (A) On the Effective Date the Participation Interests of the Parties comprising the Contractor are as follows:

Panatlantic-----	50%
GEPetrol-----	20% Carried Participation
Nova Mark-----	25%

collective, except where it is otherwise required by Laws / Regulations or the Contract. Unless otherwise provided in this Agreement, each Party shall to the extent of its Participating Interest hold harmless, defend and indemnify every other Party, and that other Party's Non-Party Indemnitees from any and all costs, expenses (including reasonable attorney's fees) damages and liabilities incident to third party claims, demands or causes of action of every kind and character which arise out of, relate in any way to or affect the Joint Operations that such other Party and its Non-Party Indemnitees may have suffered or incurred in excess of such other Party's Participating Interest share of any third party claim, demand, cause of action, cost, expense, damages or liability; provided, however, that a Party participating in an Exclusive Operation shall have no such right to indemnification from the Parties not participating in such Exclusive Operation with respect to obligations or liabilities arising from, relating to or affecting operations under the Contract to the extent that such obligations or liabilities are attributable to such Exclusive Operation.

ARTICLE 4 TECHNICAL OPERATOR



4.1 Designation of Technical Operator

PanAtlantic is designated as Technical Operator and agrees to act as such in accordance with the Contract and this Agreement.

4.2 Rights and Duties of Technical Operator

- (A) Subject to the terms and conditions of the Contract and this Agreement, Technical Operator shall have all of the rights, functions and duties of Technical Operator under the Contract and shall have exclusive charge of and shall conduct all Joint Operations. Technical Operator may employ independent contractors and agents (which independent contractors and agents may include an Affiliate of Technical Operator, a Non-Operator, or an Affiliate of a Non-Operator) in such Joint Operations.
- (B) In the conduct of Joint Operations Technical Operator shall:
 - (1) perform Joint Operations in accordance with the provisions of the Contract, the Laws / Regulations, this Agreement, and the decisions of the Operating Committee not in conflict with this Agreement;
 - (2) conduct all Joint Operations in a diligent, safe and efficient manner in accordance with such good and prudent petroleum industry practices and field conservation principles as are generally followed by the international petroleum industry under similar circumstances;
 - (3) exercise due care with respect to the receipt, payment and accounting of funds in accordance with good and prudent practices as are generally followed by the international petroleum industry under similar circumstances;
 - (4) subject to Article 4.7 of the Agreement and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Technical Operator in its conduct of Joint Operations (unless the Operating Committee unanimously agrees otherwise), provided that Technical Operator may rely upon Operating Committee approval of specific accounting practices not in conflict with the Accounting Procedure;

occurrence be material), report to Non-Operators the details of such event and any measures Technical Operator has taken or plans to take in response thereto;

- (14) establish and implement pursuant to Article 4.13 of the Agreement an HSE plan to govern Joint Operations which is designed to ensure compliance with applicable HSE laws, rules and regulations and this Agreement;
- (15) include, to the extent reasonably possible, in its contracts with independent contractors and to the extent lawful, provisions which:
 - (a) establish that such contractors can only enforce their contracts against Technical Operator;
 - (b) permit Technical Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from, such contractors; and
 - (c) require such contractors to procure and maintain insurance required by Article 4.8(G) of the Agreement.

4.3 Rights and Duties of Administrative Operator

Without limiting the generality of the foregoing, the National Oil Company will:

- (A) assist to identify, propose and/or develop programs for the training of National Oil Company and other Equatoguinean personnel in fulfillment of the Contractor's training and technology transfer obligations under the Contract;
- (B) coordinate with the Technical Operator to identify qualified Equatoguinean suppliers and services providers in order to facilitate and assist the Technical Operator in carrying out the Contractor's obligations under the Contract in respect of preference to Equatoguinean enterprises, goods and services;
- (C) to assist the Contractor in communication with Government agencies and bodies with responsibility for matters relevant to the conduct of Petroleum Operations, upon the Technical Operator's request or otherwise in coordination with the Technical Operator;
- (D) monitor the Petroleum Operations to ensure compliance with the Contractor's obligations under the Contract and the Hydrocarbons Law (as such term is defined in the Contract) and generally accepted practices of the international petroleum industry in the conduct of Petroleum Operations;
- (E) facilitate and ensure the Contractor's compliance with other applicable laws of Equatorial Guinea relevant to the conduct of Petroleum Operations, including without limitation customs and importation;
- (F) subject to Technical Operator request, assist the Technical Operator to obtain entry visas and work permits for such number of expatriate personnel of the Technical Operator and its subcontractors engaged in Petroleum Operations and members of their families who will be resident in Equatorial Guinea;
- (G) subject to Technical Operator request, assist the Technical Operator to obtain the necessary

- (3) Any proposal for one or more Secondment positions approved by Technical Operator is subject to: (i) the Operating Committee's authorization of an appropriate budget for such Secondment positions; and (ii) Non-Operators continuing to make available to Technical Operator Secondees qualified to fulfil the designated purpose and scope of such Secondment.
- (4) As to each approved and authorized Secondment position, Technical Operator shall request Non-Operators or Affiliate of Technical Operator to nominate, by a specified date, qualified personnel to be the Secondee for such position. Each Non-Operator has the right (but not the obligation) to nominate for each Secondment position one or more proposed Secondees who such Non-Operator considers reasonably qualified to fulfill the designated purpose and scope of such Secondment.
- (5) Within Sixty (60) Days following the deadline for submitting nominations, Technical Operator shall consider the expertise and experience of each such nominee in light of the expertise and experience required for the approved and authorized Secondment position, and shall select or reject any nominee in Technical Operator's sole discretion.
- (6) Technical Operator shall have the right to terminate the Secondment for cause in accordance with the secondment agreement provided for under Article 4.4(D).
- (7) Although each Secondee shall report to and be directed by Technical Operator, each Secondee shall remain at all times the employee of the Party (or its Affiliate) nominating such Secondee.
- (D) Any Secondment under this Agreement shall be in accordance with a separate secondment agreement to be negotiated and entered into between Technical Operator and the employer of the Secondee, which agreement shall be consistent with this Article 4.4 and shall be based upon the Association of International Petroleum Negotiators (AIPN) model form secondment agreement, with such modifications made as are satisfactory to the Technical Operator and are in compliance with any relevant and/or applicable national legislation.
- (E) All costs related to Secondment and Secondees that are within the Work Program and Budget related to such Secondment position shall be charged to the Joint Account.
- (F) If any Secondee acting as the Senior Supervisory Personnel of Technical Operator or its Affiliates engages in Negligence/Willful Misconduct which proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Articles 4.7(A) or 4.7(B) of the Agreement, then all such damages, losses, costs, expenses and liabilities shall be allocated to the Non-Operator who nominated such Secondee, in an equivalent manner and to the same extent liability for Negligence/Willful Misconduct is allocated to Technical Operator pursuant to Article 4.7 of the Agreement.

4.5 Information Supplied by Technical Operator

- (A) Technical Operator shall provide Non-Operators with the following data and reports (the cost of the same to be charged to the Joint Account) as they are currently produced or compiled from Joint Operations:
 - (1) copies of all G & G Data, logs or surveys, including in digitally recorded format if such exists;
 - (2) daily drilling reports;

- (C) Notwithstanding Articles 4.6(A) and 4.6(B) above, each Party shall have the right to participate in any such suit, prosecution, defense or settlement conducted in accordance with Articles 4.6(A) and 4.6(B), at its sole cost and expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Operating Committee that it can do so without prejudicing the interests of the Joint Operations.

4.7 Limitation on Liability of Technical Operator

- (A) Neither Technical Operator nor any other Indemnatee (as defined below) shall bear (except as a Party to the extent of its Participating Interest share) any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of Technical Operator, and the Indemnitees are hereby released from liability to Non-Operators (except as a Party to the extent of its Participating Interest) for any and all damages, losses, costs, expenses and liabilities arising out of, incident to or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, unseaworthiness of any vessel, unairworthiness of any aircraft, or the negligence (whether sole, joint or concurrent), Negligence/Willful Misconduct, strict liability, or other legal fault of Technical Operator (or any such Indemnatee).
- (B) Subject to Article 4.7(D), the Parties shall (according to their Participating Interests) defend and indemnify Technical Operator and its Affiliates, and their respective directors, officers, and employees (collectively, the "Indemnitees"), from any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any person or entity, which claims, demands or causes of action arise out of, are incident to or result from Joint Operations, even though caused in whole or in part by a pre-existing defect, unseaworthiness of any vessel, unairworthiness of any aircraft, or the negligence (whether sole, joint or concurrent), Negligence/Willful Misconduct, strict liability, or other legal fault of Technical Operator (or any such Indemnatee).

(C)

Under no circumstances shall Technical Operator (except as a Party to the extent of its Participating Interest) or any other Indemnatee bear any Consequential Loss or Environmental Loss.

- (D) Nothing in this Article 4.7 shall be deemed to relieve Technical Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, incident to, or resulting from Joint Operations.

4.8 Insurance Obtained by Technical Operator

- (A) Technical Operator shall procure and maintain for the Joint Account all insurance in the types and amounts required by the Contract or the Laws / Regulations.
- (B) Technical Operator shall procure and maintain for the Joint Account any further insurance, at

(F) Technical Operator shall, with respect to all insurance obtained under this Article 4.8:

- (1) use reasonable endeavours to procure or cause to be procured such insurance prior to or concurrent with, the commencement of relevant operations and maintain or cause to be maintained such insurance during the term of the relevant operations or any longer term required under the Contract or the Laws / Regulations;
- (2) promptly inform the participating Parties when such insurance is obtained and, at their request, supply them with certificates of insurance or copies of the relevant policies when the same are issued;
- (3) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insured on the relevant policies with waivers of subrogation in favour of all the Parties but only with respect to their interests under this Agreement;
- (4) use reasonable endeavours to ensure that each policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and that all rights of the insured shall revert to the Parties not in default or bankruptcy; and
- (5) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

(G) Technical Operator shall use its reasonable endeavours to require all contractors performing work with respect to Joint Operations to:

- (1) obtain and maintain any and all insurance in the types and amounts required by the Contract, the Laws / Regulations or any decision of the Operating Committee;
- (2) name the Parties as additional insured on the contractor's insurance policies and obtain from their insurers waivers of all rights of recourse against Technical Operator, Non-Operators and their insurers; and
- (3) provide Technical Operator, at its request, with certificates reflecting such insurance prior to the commencement of their services.

4.9 Commingling of Funds

Technical Operator may commingle with its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that monies of a Non-Operator have been commingled with Technical Operator's funds, Technical Operator shall account to the Non-Operators for the monies of a Non-Operator advanced or paid to Technical Operator, whether for the conduct of Joint Operations or otherwise under this Agreement. Such monies shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Technical Operator.

4.10 Resignation of Technical Operator

Subject to Article 4.12, Technical Operator may resign as Technical Operator at any time by so notifying the other Parties at least one hundred and twenty (120) Days prior to the effective date of such resignation.

completed, if possible, no later than the effective date of the change of Technical Operator and shall be subject to the approval of the Operating Committee. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.

- (E) The resignation or removal of Technical Operator and its replacement by the successor Technical Operator shall not become effective prior to receipt of any necessary Government approvals.
- (F) Upon the effective date of the resignation or removal, the successor Technical Operator shall succeed to all duties, rights and authority prescribed for Technical Operator. The former Technical Operator shall transfer to the successor Technical Operator custody of all Joint Property, books of account, records and other documents maintained by Technical Operator pertaining to the Contract Area and to Joint Operations. Upon delivery of the above-described property and data, the former Technical Operator shall be released and discharged from all obligations and liabilities as Technical Operator accruing after such date.

4.13 Health, Safety and Environment ("HSE")

- (A) With the goal of achieving safe and reliable operations in compliance with applicable HSE laws, rules and regulations (including avoiding significant and unintended impact on the safety or health of people, on property, or on the environment), Technical Operator shall in the conduct of Joint Operations:
 - (1) establish and implement an HSE plan in a manner consistent with standards and procedures generally followed in the international petroleum industry under similar circumstances;
 - (2) design and operate Joint Property consistent with the HSE plan; and
 - (3) conform with locally applicable HSE laws, rules and regulations and other HSE-related statutory requirements that may apply.
- (B) The Operating Committee shall be provided by Technical Operator, on an annual basis, with an HSE letter of assurance providing adequate evidence that an HSE plan is in place and that any major HSE issues have been brought to the attention of the Operating Committee and are being properly managed.
- (C) In the conduct of Joint Operations, Technical Operator shall establish and implement a program for regular HSE assessments, which HSE assessments shall be conducted at least annually. The purpose of such assessments is to periodically review HSE systems and procedures, including actual practice and performance, to verify that the HSE plan is being implemented in accordance with the policies and standards of the HSE plan. Technical Operator shall, at a minimum, conduct such an assessment before entering into significant new Joint Operations and before undertaking any major changes to existing Joint Operations. Upon reasonable notice given to Technical Operator, Non-Operators shall have the right to participate in such HSE assessments.
- (D) Technical Operator shall require its contractors, consultants and agents undertaking activities for the Joint Account to manage HSE risks in a manner consistent with the requirements of this Article 4.13.
- (E) Technical Operator shall establish and enforce rules consistent with those generally followed in the international petroleum industry under similar circumstances that, at a minimum, prohibit within the Contract Area the following:

addition to the representative and alternate representative, each Party may also bring to any Operating Committee meetings such technical and other advisors, including consultants, as it may deem appropriate, at such Party's expense.

5.4 Subcommittees

The Operating Committee may establish such subcommittees, including technical, financial and other subcommittees, as the Operating Committee may deem appropriate. The functions of such subcommittees shall be in an advisory capacity or as otherwise determined unanimously by the Parties. Each Party shall have the right to appoint a representative and an alternate to each subcommittee.

5.5 Notice of Meeting

- (A) Technical Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.
- (B) Any Non-Operator may request a meeting of the Operating Committee by giving notice to all the other Parties. Upon receiving such request, Technical Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days (or such longer period agreed to by the Non-Operator who requested such meeting) after receipt of the request.
- (C) The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6 Contents of Meeting Notice

- (A) Each notice of a meeting of the Operating Committee as provided by Technical Operator shall contain:
 - (1) the date, time and location of the meeting;
 - (2) an agenda of the matters and proposals to be considered and/or voted upon; and
 - (3) copies of all proposals to be considered at the meeting (including all appropriate supporting information not previously distributed to the Parties).
- (B) A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting, may add additional matters to the agenda for a meeting.
- (C) On the request of a Party, and with the unanimous consent of all Parties, the Operating Committee may consider at a meeting a proposal not contained in such meeting agenda.

5.7 Location of Meetings

- (A) Subject to Article 5.7(B), all meetings of the Operating Committee shall be held in Malabo, Equatorial Guinea or elsewhere as the Operating Committee may decide.
- (B) A meeting of the Operating Committee may be held by telephone or video conference if agreed in writing by all Parties or agreed at the previous meeting of the Operating Committee and recorded in the minutes thereof.

5.8 Technical Operator's Duties for Meetings

- (A) With respect to meetings of the Operating Committee and any subcommittee, Technical Operator's duties shall include:

be approval of such minutes. In any event, the votes recorded under Article 5.10 shall take precedence over the minutes described above.

5.12 Voting by Notice

- (A) In lieu of a meeting, any Party may submit any proposal to the Operating Committee for a vote by notice. The proposing Party or Parties shall notify Technical Operator who shall give each Party's representative notice describing the proposal so submitted and whether Technical Operator considers such operational matter to require urgent determination. Technical Operator shall include with such notice adequate documentation insofar as it has been provided to the Technical Operator in connection with such proposal to enable the Parties to make a decision. Each Party shall communicate its vote by notice to Technical Operator and the other Parties within one of the following appropriate time periods after receipt of Technical Operator's notice:
- (1) twenty-four (24) hours in the case of operations which involve the use of a drilling rig that is standing by in the Contract Area;
 - (2) seventy-two (72) hours in the case of any other operational matters reasonably considered by Technical Operator to require by their nature urgent determination; and
 - (3) ten (10) Business Days in the case of all other proposals.
- (B) Except in the case of Articles 5.12(A)(1) and 5.12(A)(2) above, any Party may, by notice delivered to all Parties within five (5) Business Days of receipt of Technical Operator's notice, request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.
- (C) Except as provided in Article 10.1(B) of the Agreement, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.
- (D) If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 Effect of Vote

All decisions taken by the Operating Committee pursuant to this Article 5 of the Agreement shall be conclusive and binding on all the Parties, except in the following cases.

- (A) If pursuant to this Article 5, a Joint Operation has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party that voted in favour of such proposal shall have the right for the appropriate period specified below to propose, in accordance with and subject to the limitations of Article 7 of the Agreement, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.
- (1) For proposals subject to the provisions of Article 5.12(A)(1) of the Agreement, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12(A)(1) of the Agreement has expired or after receipt of Technical Operator's notice given to the Parties pursuant to Article 5.13(D) below, as applicable.
 - (2) For proposals subject to the provisions of Article 5.12(A)(2) of the Agreement, such right shall be exercisable for forty-eight (48) hours after the time specified in Article 5.12(A)(2) has expired.

On the occurrence of either of the above, Technical Operator shall promptly notify the Parties that such operation is being terminated pursuant to the foregoing, and any Party shall have the right to propose in accordance with Article 7 an Exclusive Operation to continue such operation.

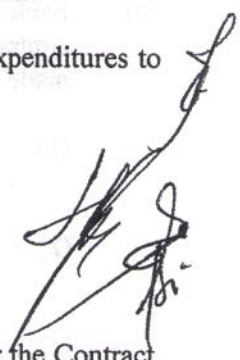
ARTICLE 6

WORK PROGRAMS AND BUDGETS

6.1 Exploration and Appraisal

- (A) Within thirty (30) Days after the Effective Date, Technical Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed for the remainder of the current Calendar Year and, if appropriate, for the following Calendar Year. Within fifteen (15) Days of such delivery, the Operating Committee shall meet to consider and to endeavor to agree on a Work Program and Budget. On or before the 15th Day of September of each Calendar Year, Technical Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed for the following Calendar Year. Within fifteen (15) Days of such delivery, the Operating Committee shall meet to consider and to endeavour to agree on a Work Program and Budget.
- (B) If a Discovery is made, Technical Operator shall deliver any notice of Discovery required under the Contract and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Technical Operator's recommendation as to whether the Discovery merits appraisal. If the Operating Committee determines that the Discovery merits appraisal, Technical Operator within ninety (90) Days shall deliver to the Parties a proposed Work Program and Budget for the appraisal of the Discovery. Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the Operating Committee, Technical Operator shall take such steps as may be required under the Contract to secure approval of the appraisal Work Program and Budget by the Government. In the event the Government requires changes in the appraisal Work Program and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.
- (C) The Work Program and Budget agreed pursuant to this Article shall include at least that part of the Minimum Work Obligations required to be carried out during the Calendar Year in question under the terms of the Contract.
- (D) Any approved Work Program and Budget may be revised by the Operating Committee from time to time. To the extent such revisions are approved by the Operating Committee, the Work Program and Budget shall be amended accordingly. Technical Operator shall prepare and submit a corresponding Work Program and Budget amendment to the Government if required by the Contract.
- (E) Subject to Article 6.8, approval of any such Work Program and Budget which includes:
 - (1) an Exploration Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking and Testing (other than production Tests), as applicable, of such well to the proposed depth. When an Exploration Well has reached its authorized depth, all logs, cores and other authorized Tests have been conducted and the results furnished to the Parties, the Technical Operator shall submit to the Parties a proposal to plug and abandon, attempt to Complete or conduct other wellbore operations respecting such Exploration Well and the Parties shall reply within the time period set forth in Article 5.12(A)(1). Technical

6.2 Development

- (A) Following the completion of the appraisal work program approved by the Government, the Technical Operator shall as soon as reasonably practicable, submit to the Operating Committee, for discussion purposes only, a draft of the report required to be delivered to the Government in accordance with Articles 5.3 and 5.4 of the Contract.
- (B) If the Operating Committee determines that a Discovery may be a Commercial Discovery, Technical Operator shall, as soon as practicable, deliver to the Parties a Development Plan together with the first annual Work Program and Budget (or a multi-year Work Program and Budget pursuant to Article 6.5 of the Agreement) and provisional Work Programs and Budgets for the remainder of the development of the Discovery, which shall contain, *inter alia*:
- (1) details of the proposed work to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a Calendar Year basis;
 - (2) an estimated date for the commencement of production;
 - (3) a delineation of the proposed Exploitation Area; and
 - (4) any other information requested by the Operating Committee.
- (C) After receipt of the Development Plan and prior to any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the Development Plan and the first annual Work Program and Budget for the development of a Discovery, as submitted by Technical Operator. If the Operating Committee determines that the Discovery is a Commercial Discovery and approves the corresponding Development Plan (which shall include the development and production plan required under Article 5.5 of the Contract), Technical Operator shall, as soon as possible, deliver any notice of Commercial Discovery required under the Contract and take such other steps as may be required under the Contract to secure approval of the Development Plan by the Government. In the event the Government requires changes in the Development Plan, the matter shall be resubmitted to the Operating Committee for further consideration.
- (D) If the Development Plan (including said development and production plan) is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and Technical Operator shall, on or before the 15th Day of September of each Calendar Year submit a Work Program and Budget for the Exploitation Area, for the following Calendar Year. To the full extent permitted by the Contract, the Technical Operator may combine some line items of Work Program and Budget with any other Work Program and Budget relating to such Calendar Year. Subject to Article 6.5 of the Agreement, within thirty (30) Days after such submittal, the Operating Committee shall endeavour to agree to such Work Program and Budget, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Plan.
- (E) Subject to Article 6.8 of the Agreement, approval of any Work Program and Budget which includes a Development Well, whether by drilling Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Completing such Development Well.
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6.3 Production

On or before the 15th Day of September of each Calendar Year, Technical Operator shall deliver to the

[REDACTED]

Technical Operator shall:

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- pages 2

Technical Operator shall:

- (1) provide the Parties with a list of the entities whom Technical Operator proposes to invite to tender for the said contract;
- (2) add to such list any entity whom a Party reasonably requests to be added within fourteen (14) Days of receipt of such list;
- (3) prepare and dispatch the tender documents to the entities on the list as aforesaid and to Non-Operators;
- (4) complete the tendering process within a reasonable period of time and after the

(C) Each AFE proposed by Technical Operator shall:

- an informed

(A)

expenditure for such line item up to ten percent (10%) of the authorized amount of such line item, provided that the cumulative total of all over expenditures for a calendar year shall not exceed five percent (5%) of the total annual work program for that year.

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- (3) For all other proposals, any such Party wishing to exercise such right must so notify the proposing Party and Technical Operator within ten (10) Days after receipt of the notice proposing the Exclusive Operation.
- (C) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.
- (D) If all Parties owning a Participating Interest properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. Technical Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.
- (E) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:
- (1) Immediately after the expiration of the applicable notice period set out in Article 7.2(B) above, Technical Operator shall notify all Parties of the names of the Consenting Parties and the recommendation of the proposing Party as to whether the Consenting Parties should proceed with the Exclusive Operation.
 - (2) Concurrently, Technical Operator shall request the Consenting Parties to specify the Participating Interest each Consenting Party is willing to bear in the Exclusive Operation.
 - (3) Within twenty-four (24) hours after receipt of such notice, each Consenting Party shall respond to Technical Operator stating that it is willing to bear a Participating Interest in such Exclusive Operation equal to:
 - (a) only its Participating Interest as stated in Article 3.2(A) of the Agreement;
 - (b) a fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.2(A) of the Agreement and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.2(A) of the Agreement; or
 - (c) the Participating Interest as contemplated by Article 7.2(E)(3)(b) of the Agreement plus all or any part of the difference between one hundred percent (100%) and the total of the Participating Interests subscribed by the other Consenting Parties. Any portion of such difference claimed by more than one Party shall be distributed to each claimant on a pro-rata basis.
 - (4) Any Consenting Party failing to advise Technical Operator within the response period set out above shall be deemed to have elected to bear the Participating Interest set out in Article 7.2(E)(3)(a) of the Agreement as to the Exclusive Operation.
 - (5) If, within the response period set out above, the Consenting Parties subscribe less than one hundred percent (100%) of the Participating Interest in the Exclusive Operation, the Party proposing such Exclusive Operation shall be deemed to have withdrawn its proposal for the Exclusive Operation, unless within twenty-four (24) hours of the expiry of the response period set out in Article 7.2(E)(3) of the Agreement, the proposing Party

other than data obtained in an Exclusive Operation for the purpose of acquiring G & G Data. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in Article 3.2(A) of the cost incurred in obtaining such G & G Data.

(B) Subject to Article 7.4(C), Articles 7.6(E) and 7.8 of the Agreement, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in any Exclusive Operation:

(1) all of each such Non-Consenting Party's right to participate in further operations in the well or Deepened or Sidetracked portion of a well in which the Exclusive Operation was conducted and on any Discovery made or appraised in the course of such Exclusive Operation; and

(2) all of each such Non-Consenting Party's right pursuant to the Contract in respect of Hydrocarbons produced and saved:

(a) from the well or Deepened or Sidetracked portion of a well in which such Exclusive Operation was conducted; and

(b) from any wells drilled to appraise or develop a Discovery made or appraised in the course of such Exclusive Operation.

(C) A Non-Consenting Party shall have only the following options to reinstate the rights it relinquished pursuant to Article 7.4(B) of the Agreement:

(1) If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal program. For thirty (30) Days (or the time period under Article 5.12(A)(1) or Article 5.12(A)(2) of the Agreement, as applicable) from receipt of such appraisal program, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) of the Agreement and to participate in such appraisal program. The Non-Consenting Party may exercise such option by notifying Technical Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal program, and to pay such amounts as set out in Articles 7.5(A) and 7.5(B) of the Agreement.

(2) If the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the Government under the Contract. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Contract, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) of the Agreement and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying Technical Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, and to pay the amounts as set out in Articles 7.5(A) and 7.5(B) of the Agreement.

assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

7.5 Premium to Participate in Exclusive Operations

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Non-Consenting Party shall have the option exercisable for forty-eight (48) hours from receipt of such notice to participate for its Participating Interest share in the initial proposed Completion of such well. Each such Non-Consenting Party may exercise such option by notifying Technical Operator that it wishes to participate in such Completion and by paying its Participating Interest share of the cost of drilling such well to its deepest depth drilled in the Zone in which it is Completed and Article 7.4(B) of the Agreement shall not apply. All liabilities and expenses for drilling and Testing the Exclusive Well below that depth shall be for the sole account of the Consenting Parties. If any such Non-Consenting Party does not properly elect to participate in the first Completion proposed for such well, the relinquishment provisions of Article 7.4(B) of the Agreement shall continue to apply to such Non-Consenting Party's interest.

7.7 Stand-By Costs

- (A) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Article 7.6 above to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing and agreeing to participate in the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.
- (B) If a further operation subject to Article 5.12(A)(1) or Article 5.12(A)(2) of the Agreement is proposed, any Party may request and receive up to five (5) additional Days after expiration of the applicable response period specified in Article 7.2(B)(1) of the Agreement within which to respond by notifying Technical Operator that such Party agrees to bear all stand by costs and other costs incurred during such extended response period. Technical Operator may require such Party to pay the estimated stand by costs in advance as a condition to extending the response period. If more than one Party requests such additional time to respond to the notice, stand by costs shall be allocated between such Parties on a Day-to-Day basis in proportion to their Participating Interests.

7.8 Special Considerations Regarding Deepening and Sidetracking

- (A) An Exclusive Well shall not be Deepened or Sidetracked without first affording the Non-Consenting Parties in accordance with this Article 7.8 the opportunity to participate in such operation.
- (B) In the event any Consenting Party desires to Deepen or Sidetrack an Exclusive Well, such Party shall initiate the procedure contemplated by Article 7.2 of the Agreement. If a Deepening or Sidetracking operation is approved pursuant to such provisions, and if any Non-Consenting Party to the Exclusive Well elects to participate in such Deepening or Sidetracking operation, such Non-Consenting Party shall not owe amounts pursuant to Article 7.5(B) of the Agreement, and such Non-Consenting Party's payment pursuant to Article 7.5(A) of the Agreement shall be such Non-Consenting Party's Participating Interest share of the liabilities and expenses incurred in connection with drilling the Exclusive Well from the surface to the depth previously drilled which such Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate in such Exclusive Well; provided, however, all liabilities and expenses for Testing and Completing or attempting Completion of the well incurred by Consenting Parties prior to the commencement of actual operations to Deepen or Sidetrack beyond the depth previously drilled shall be for the sole account of the Consenting Parties.

- (B) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of Technical Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.
- (C) Technical Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination by the Parties as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such Exclusive Operations.
- (D) Technical Operator, if it is conducting an Exclusive Operation for the Consenting Parties, regardless of whether it is participating in that Exclusive Operation, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to Technical Operator in respect of any Exclusive Operations conducted by it.
- (E) Should the submission of a Development Plan be approved in accordance with Article 6.2 of the Agreement, or should any Party propose (but not yet have the right to commence) a development in accordance with this Article 7 where neither the Development Plan nor the development proposal call for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right (subject to the following sentence) to future reimbursement pursuant to Article 7.5 of the Agreement and provided further, that the drilling of such Appraisal Well will not prevent the timely submission of the Development Plan in accordance with the provisions of the Contract. If such an Appraisal Well is produced, any Consenting Party shall own and have the right to take in kind and separately dispose of all of the Non-Consenting Party's Entitlement from such Appraisal Well until the value received in sales to purchasers in arm-length transactions equals one hundred percent (100%) of such Non-Consenting Party's Participating Interest shares of all liabilities and expenses that were incurred in any Exclusive Operations relating to the Appraisal Well. Following the completion of drilling such Appraisal Well as an Exclusive Operation, the Parties may proceed with the Development Plan approved pursuant to Article 5.9 of the Agreement, or (if applicable) the Parties may complete the procedures to propose an Exclusive Operation to develop a Discovery. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party or Parties proposing to develop the Discovery decide(s) not to do so, then each Non-Consenting Party who voted in favor of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation. All data from such Appraisal Well shall be shared with and provided to such Non-Consenting Parties. For certainty, Article 7.4(B) of the Agreement shall not apply to an Exclusive Operation conducted under this Article 7.12(E).
- (F) If Technical Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then Technical Operator (subject to obtaining any necessary Government approvals) may resign, but in any event shall resign on the unanimous request of the Consenting Parties, as Technical Operator for the Exploitation Area for such Discovery, and the Consenting Parties shall (subject to obtaining any necessary Government approvals) select a Consenting Party to serve as Technical Operator for such Exclusive Operation only.

Any such resignation of Technical Operator and appointment of a Consenting Party to serve as Technical Operator for such Exclusive Operation shall be subject to the Parties having first

- (1) unless agreed otherwise by the non-Defaulting Parties, the voting interest of each non-Defaulting Party shall be equal to the ratio such non-Defaulting Party's Participating Interest bears to the total Participating Interests of the non-Defaulting Parties;
- (2) any matters requiring a unanimous vote or approval of the Parties shall not require the vote or approval of the Defaulting Party;
- (3) the Defaulting Party shall be deemed to have elected not to participate in any operations that are voted upon during the Default Period; and
- (4) the Defaulting Party shall be deemed to have approved, and shall join with the non-Defaulting Parties in taking, any other actions voted on during the Default Period.

8.3 Allocation of Defaulted Accounts

- (A) The Party providing the Default Notice pursuant to Article 8.1 above shall include in the Default Notice to each non-Defaulting Party a statement of: (i) the sum of money that the non-Defaulting Party shall pay as its portion of the Amount in Default; and (ii) if the Defaulting Party has failed to obtain or maintain any Security required of such Party under this Agreement or the Contract, the type and amount of the Security the non-Defaulting Parties shall post or the funds they shall pay in order to allow Technical Operator, or (if Technical Operator is in default) the notifying Party, to post and maintain such Security. Unless otherwise agreed, the obligations for which the Defaulting Party is in default shall be satisfied by the non-Defaulting Parties in proportion to the ratio that each non-Defaulting Party's Participating Interest bears to the Participating Interests of all non-Defaulting Parties. For the purposes of this Article 8:

"Amount in Default" means the Defaulting Party's share of Joint Account expenses which the Defaulting Party has failed to pay when due pursuant to the terms of this Agreement (but excluding any interest owed on such amount); and

"Total Amount in Default" means the following amounts: (i) the Amount in Default; (ii) third-party costs of obtaining and maintaining any Security incurred by the non-Defaulting Parties or the funds paid by such Parties in order to allow Technical Operator to obtain or maintain Security, in accordance with Article 8.3(A) (ii) of the Agreement; plus (iii) any interest at the Agreed Interest Rate accrued on the amount under (i) from the date this amount is due by the Defaulting Party until paid in full by the Defaulting Party and on the amount under (ii) from the date this amount is incurred by the non-Defaulting Parties until paid in full by the Defaulting Party.

- (B) If the Defaulting Party remedies its default in full before the Default Period commences, the notifying Party shall promptly notify each non-Defaulting Party by facsimile and by email, and the non-Defaulting Parties shall be relieved of their obligations under Article 8.3(A) above. Otherwise, each non-Defaulting Party shall satisfy its obligations under Article 8.3(A)(i) before the Default Period commences and its obligations under Article 8.3(A)(ii) within ten (10) Days following the Default Notice. If any non-Defaulting Party fails to timely satisfy such obligations, such Party shall thereupon be a Defaulting Party subject to the provisions of this Article 8. The non-Defaulting Parties shall be entitled to receive their respective shares of the Total Amount in Default payable by such Defaulting Party pursuant to this Article 8.
- (C) If Technical Operator is a Defaulting Party, then all payments otherwise payable to Technical Operator for Joint Account costs pursuant to this Agreement shall be made to the notifying Party instead until the default is cured or a successor Technical Operator appointed. The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall

Such option shall be exercised by notice to the Defaulting Party and each non-Defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Article 13.6 of the Agreement, effective on the date of the non-Defaulting Party's or Parties' notice, its Participating Interest to the non-Defaulting Parties. Notwithstanding the terms of Article 13 of the Agreement, in the absence of an agreement among the non-Defaulting Parties to the contrary, any transfer to the non-Defaulting Parties following a withdrawal pursuant to this Article 8.4(D) shall be in proportion to the Participating Interests of the non-Defaulting Parties.

- (E) For purposes of Article 8.4(D) of the Agreement, the Defaulting Party shall, without delay following any request from the non-Defaulting Parties, do any act required to be done by the Laws / Regulations and any other applicable laws in order to render the transfer of its Participating Interest legally valid, including obtaining all governmental consents and approvals, and shall execute any document and take such other actions as may be necessary in order to effect a prompt and valid transfer. The Defaulting Party shall be obligated to promptly remove any liens and encumbrances which may exist on its assigned Participating Interests, other than those existing as of the Effective Date. In the event all Government approvals are not timely obtained, the Defaulting Party shall hold the assigned Participating Interest in trust for the non-Defaulting Parties who are entitled to receive it. Each Party constitutes and appoints each other Party its true and lawful attorney to execute such instruments and make such filings and applications as may be necessary to make such transfer legally effective and to obtain any necessary consents of the Government. Actions under this power of attorney may be taken by any Party individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest. If requested, each Party shall execute a form prescribed by the Operating Committee setting forth this power of attorney in more detail.
- (F) The non-Defaulting Parties shall be entitled to recover from the Defaulting Party all reasonable attorneys' fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Party.
- (G) The rights and remedies granted to the non-Defaulting Parties in this Article 8 shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-Defaulting Parties, whether at law, in equity or otherwise. Each right and remedy available to the non-Defaulting Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-Defaulting Parties in their sole discretion.

8.5 Survival

The obligations of the Defaulting Party and the rights of the non-Defaulting Parties shall survive the surrender of the Contract, abandonment of Joint Operations and termination of this Agreement.

8.6 No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-Defaulting Parties of any rights under or the application of any of the provisions of this Article 8, such Party hereby waives any right to raise by way of set off or invoke as a defense, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against Technical Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that

- (E) For the avoidance of doubt, following the conversion of the National Oil Company's Carried Participation to a paying (working) Participating Interest pursuant to Article 3.2(B) of the Agreement at the first day of Production, the National Oil Company shall be liable for its Participating Interest share of the costs and expenses of any well plugged and abandoned under this Agreement.

10.2 Abandonment of Exclusive Operations

This Article 10 shall apply *mutatis mutandis* to the abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted (in which event all Parties having the right to conduct further operations in such well shall be notified and have the opportunity to conduct Exclusive Operations in the well in accordance with the provisions of this Article 10).

10.3 Abandonment Reserve Fund

The Parties shall contribute to the Abandonment Reserve Fund in the manner, at the times and in the proportions that the Operating Committee may determine and, failing such determination within the time limits in which the Abandonment Reserve Fund must be established, in accordance with the Contract, as the Technical Operator may reasonably direct.

ARTICLE 11 SURRENDER, EXTENSIONS AND RENEWALS

11.1 Surrender

- (A) If the Contract requires the Parties to surrender any portion of the Contract Area, Technical Operator shall advise the Operating Committee of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Prior to the end of such period, the Operating Committee shall determine pursuant to Article 5 of the Agreement the size and shape of the surrendered area, consistent with the requirements of the Contract. If no proposal is approved by the Operating Committee, Technical Operator shall choose among the proposals. The Parties shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against Technical Operator and any other Parties on account of any area surrendered in accordance with the foregoing but against its recommendation if Hydrocarbons are subsequently discovered under the surrendered area.
- (B) A surrender of all or any part of the Contract Area which is not required by the Contract shall require the unanimous consent of the Parties.

11.2 Extension of the Term

- (A) A proposal by any Party to enter into or extend the term of any Exploration Period or Exploitation Period or any phase of the Contract, or a proposal to extend the term of the Contract, shall be brought before the Operating Committee pursuant to Article 5 of the Agreement. If no Party makes any such proposal within thirty (30) days of the date any notice in that regard is required under the Contract, Technical Operator shall send such proposal or call for a vote and decision on the matter no later than such thirtieth (30th) day.
- (B) Regardless of the Operating Committee decision made pursuant to Article 11.2(A) above, upon notice to all Parties at least seven (7) Days prior to the date on which notice must be given to the Government to extend or enter into any Exploration Period or Exploitation Period, any Party

expenditure approved by the Operating Committee prior to the Transferor notifying the other Parties of its proposed Transfer but shall not include the general obligation to pay costs of plugging and abandoning wells or portions of wells and decommissioning facilities in which the transferring Party participated (or with respect to which it was required to bear a share of the costs pursuant to this sentence) to the extent such costs are payable by the Parties under the Contract, and which are not otherwise adequately covered under the Abandonment Reserve Fund.

(D) A transferee shall have no rights in the Contract or this Agreement (except any notice and cure rights or similar rights that may be provided to a Lien Holder (as defined in Article 12.2(E)) by separate instrument signed by all Parties) unless and until:

- (1) it expressly undertakes in an instrument reasonably satisfactory to the other Parties to perform the obligations of the Transferor under the Contract and this Agreement in respect of the Participating Interest being transferred;
- (2) obtains any necessary Government approval for the Transfer and furnishes any guarantees required by the Government or the Contract on or before the applicable deadlines; and
- (3) except in the case of a Transfer to an Affiliate, each Party has consented in writing to such Transfer, which consent shall be denied only if the transferee fails to establish to the reasonable satisfaction of each Party its financial capability to perform its payment obligations under the Contract and this Agreement and its technical capability to fulfill its obligations under the Contract and this Agreement.

No consent shall be required under Article 12.2(D)(3) for a Transfer to an Affiliate if the transferring Party agrees in an instrument reasonably satisfactory to the other Parties to remain liable for its Affiliate's performance of its obligations.

(E) Nothing contained in this Article 12 of the Agreement shall prevent a Party from Encumbering all or any undivided share of its Participating Interest to a third party (a "**Lien Holder**") for the purpose of security relating to financing, provided that:

- (1) such Party shall remain liable for all obligations relating to such interest;
- (2) the Lien Holder should it foreclose or otherwise realise upon its Encumbrance, shall be in *pari causa* with the Parties who did not Encumber their Participating Interests to the Lien Holder as to their respective rights under this Agreement;
- (3) the Encumbrance shall be subject to any necessary approval of the State and be expressly subordinated to the rights of the other Parties under this Agreement; and
- (4) such Party shall ensure that any Encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

ARTICLE 13 WITHDRAWAL FROM AGREEMENT

13.1 Right of Withdrawal

(A) Subject to the provisions of this Article 13 and the Contract, any Party not in default (except GEPetrol) may at its option withdraw from this Agreement and the Contract by giving notice to

Party has failed to timely withdraw under Article 13.4(B) of the Agreement;

- (3) expenditures described in Articles 4.2(B)(13) and Articles 13.5 of the Agreement related to an emergency occurring prior to the effective date of a Party's withdrawal, regardless of when such expenditures are incurred;
- (4) all other obligations and liabilities of the Parties or Consenting Parties, as applicable, with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and
- (5) in the case of a partially withdrawing Party, any costs and liabilities with respect to Exploitation Areas, Commercial Discoveries and Discoveries from which it has not withdrawn.

The obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any Decommissioning Costs relating to Joint Operations in which that Party participated, including, but not limited to, wells or portions of wells in which it participated (or was required to bear a share of the costs pursuant to Article 13.4(A)(1) of the Agreement) to the extent such costs of plugging and abandoning are payable by the Parties under the Contract and are not adequately covered by the Abandonment Reserve Fund. Any mortgages, liens, pledges, charges, overriding royalty interests or other encumbrances which were placed on the withdrawing Party's Participating Interest prior to such Party's withdrawal (other than any such mortgages, liens, pledges, charges, overriding royalty interests or other encumbrances existing on the Effective Date or created by or arising under the Contract) shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this Article 13 merely because they are not identified or identifiable at the time of withdrawal.

- (B) Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 13.4(A)(2) or Article 13.4(A)(3) of the Agreement) if it sends notification of its withdrawal within seven (7) Days (or for operations subject to Article 5.12(A)(1) or Article 5.12(A)(2) of the Agreement, within the time limits set out therein) of the Operating Committee vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into or extending of an Exploration Period or Exploitation Period or any phase of the Contract or voluntarily extending the Contract shall not be liable for the Minimum Work Obligations associated therewith provided that it sends notification of its withdrawal within thirty (30) Days of such vote pursuant to Article 11.2 of the Agreement.

13.5 Emergency

If a well goes out of control or a fire, blow out, sabotage or other emergency on or directly affecting the Contract Area occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Participating Interest share of the costs of such emergency, regardless of when they are incurred.

13.6 Assignment

A withdrawing Party shall assign its Participating Interest free of cost to each of the non-withdrawing Parties in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all the non-withdrawing Parties (prior to the withdrawal), unless the non-

intended. Technical Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

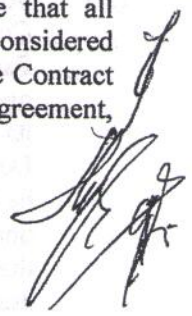
ARTICLE 15

VENTURE INFORMATION - CONFIDENTIALITY - INTELLECTUAL PROPERTY

15.1 Venture Information

- (A) Except as otherwise provided in this Article 15 or in Articles 4.5 and 8.4(A) of the Agreement, each Party will be entitled to receive all Venture Information related to operations in which such party is a participant. "Venture Information" means any information and results developed or acquired as a result of Joint Operations and shall be Joint Property, unless provided otherwise in accordance with this Agreement and the Contract. Each Party shall have the right to use all Venture Information it receives without accounting to any other Party, subject to any applicable patents and any limitations set forth in this Agreement and the Contract. For purposes of this Article 15, such right to use shall include, the rights to copy, prepare derivative works, disclose, license, distribute, and sell.
- (B) Each Party may, subject to any applicable restrictions and limitations set forth in the Contract, extend the right to use Venture Information to each of its Affiliates which are obligated to terms not less restrictive than this Article 15.
- (C) The acquisition or development of Venture Information under terms other than as specified in this Article 15 shall require the approval of the Operating Committee. The request for approval submitted by a Party shall be accompanied by a description of, and summary of the use and disclosure restrictions which would be applicable to, the Venture Information, and any such Party will be obligated to use all reasonable efforts to arrange for rights to use which are not less restrictive than specified in this Article 15.
- (D) All Venture Information received by a Party under this Agreement is received on an "as is" basis without warranties, express or implied, of any kind. Any use of such Venture Information by a Party shall be at such Party's sole risk.

15.2 Confidentiality

- (A) Subject to the provisions of the Contract and this Article 15, the Parties agree that all information in relation with Joint Operations or Exclusive Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Contract and for a period of two (2) years thereafter to any person or entity not a Party to this Agreement, except:
 - (1) to an Affiliate pursuant to Article 15.1(B) of the Agreement;
 - (2) to a governmental agency or other entity when required by the Contract;
 - (3) to the extent such information is required to be furnished in compliance with the applicable law or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
 - (4) to prospective or actual attorneys engaged by any Party where disclosure of such information is essential to such attorney's work for such Party;
- 

to or are primarily based on the proprietary technology of such Party or its Affiliates, then all intellectual property rights to such inventions, discoveries, or improvements shall vest exclusively in such Party and each other Party shall have a perpetual, royalty-free, irrevocable license to use such inventions, discoveries, or improvements, but only in connection with the Joint Operations.

- (D) Subject to Articles 4.6 and 4.7 of the Agreement, all costs and expenses of defending, settling or otherwise handling any claim which is based on the actual or alleged infringement of any intellectual property right shall be for the account of the operation from which the claim arose, whether Joint Operations or Exclusive Operations.

15.4 Continuing Obligations

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Article 15.2 above, and any disputes in relation thereto shall be resolved in accordance with Article 18.2 of the Agreement.

15.5 Trades

Technical Operator may, with approval of the Operating Committee, make well log trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties who participated in the cost of acquiring or creating the well log or data that was traded, as applicable. Technical Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

ARTICLE 16 FORCE MAJEURE

16.1 Obligations

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish Security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure promptly after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labour dispute except on terms acceptable to it, and all such Disputes shall be handled within the sole discretion of the affected Party.

16.2 Definition of Force Majeure

For the purposes of this Agreement, "Force Majeure" shall have the meaning set out in Article 27 of the Contract. The Parties intend for the term of Force Majeure to be construed in accordance with the principles and practice generally accepted in the international petroleum industry.

16.3 Notification of Force Majeure

If any Party is unable to comply with any obligation or condition provided herein due to Force Majeure,

<p>For PanAtlantic Attention: Directors Clarendon House 2 Church Street Hamilton HM11, Bermuda Tel: +1-713-210-8400 Fax: +1-713-210-8383</p> <p>With a copy to: PanAtlantic Exploration Company Attention: Dr. Robert N. Erlich Vice President Exploration 1301 McKinney Street, Suite 2300 Houston 77010 Texas</p>	<p>For GEPetrol Attention: Mr. Candido Nsue Okomo Torre de GEPetrol, Malabo II Calle Autovia Malabo – Ela Nguema S/S P.O. Box 956 Malabo (B.N) Guinea Ecuatorial Telephone: +240-09-6769 Fax: +240-09-6692</p>
<p>ATLAS PETROLEUM INTERNATIONAL LIMITED For the attention of: Prince (enr.) Arthur Eze 1c Barnes High Street, London SW 13 9LB, United Kingdom Telephone: +44-20-8878-0212 Facsimile: +44-20-8878-0270</p>	<p>NOVA MARK INTERNATIONAL LIMITED For the attention of: Mr. Wang Xiaogang, Chairman Unit 1102, 11/F., Tower 1, Lippo Centre, 89 Queensway, Hong Kong Telephone: +852-2899-2882 Facsimile: +852-2530-1826</p>

ARTICLE 18

APPLICABLE LAW - DISPUTE RESOLUTION - WAIVER OF SOVEREIGN IMMUNITY

18.1 Applicable Law

The substantive laws of England, exclusive of any conflicts of laws principles that could require the application of any other law, shall govern this Agreement for all purposes and shall apply to all Disputes between or among Parties. Notwithstanding the foregoing, nothing in this Agreement shall have the effect of exempting the Parties from the application of the laws of the Republic of Equatorial Guinea where applicable to Petroleum Operations carried out in satisfaction of or fulfillment of the Contract.

18.2 Dispute Resolution

- (A) Notification. A Party who desires to submit a Dispute (other than a Technical Dispute) for resolution shall commence the dispute resolution process by providing the other parties to the Dispute written notice of the Dispute ("**Notice of Dispute**"). The Notice of Dispute shall identify the parties to the Dispute and contain a brief statement of the nature of the Dispute and the relief requested. The submission of a Notice of Dispute shall toll any applicable statutes of limitation related to the Dispute, pending the conclusion or abandonment of dispute resolution proceedings under this Article 18.
- (B) Negotiations. Within thirty (30) Days after the date of the receipt by each party to a Dispute of the Notice of Dispute, a Senior Executive representing each of the parties to the Dispute shall meet at a mutually acceptable time and place to attempt to resolve the Dispute. If a Senior Executive intends to be accompanied at the meeting by an attorney, each other party's Senior Executive shall be given written notice of such intention at least ten (10) Days in advance and may also be accompanied at the meeting by an attorney. If within thirty (30) days of the receipt

arbitration shall be London, England.

- (6) Language. Unless otherwise agreed by all parties to the Dispute, the arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language.
- (7) Entry of Judgment. The arbitral award shall be final and binding. Judgment on the arbitral award may be entered and enforced by any court of competent jurisdiction.
- (8) Notice. All notices required for any arbitration proceeding shall be deemed properly given if sent in accordance with Article 17.
- (9) Qualifications and Conduct of the Arbitrators. All arbitrators shall be and remain at all times wholly impartial, and, once appointed, no arbitrator shall have any *ex parte* communications with any of the parties to the Dispute concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding arbitrator, where applicable.
- (10) Interim Measures. Any party to the Dispute may apply to a court for interim measures (i) prior to the constitution of the arbitral tribunal (whether consisting of one or more arbitrators) (and thereafter as necessary to enforce the arbitral tribunal's rulings); or (ii) in the absence of the jurisdiction of the arbitral tribunal to rule on interim measures in a given jurisdiction. The Parties agree that seeking and obtaining such interim measures shall not waive the right to arbitration. The arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone, by video conference or by other means that permit the parties to the Dispute to present evidence and arguments.
- (11) Costs and Attorneys' Fees. The arbitrators are authorized to award costs and attorneys' fees and to allocate them between the parties to the Dispute. The costs of the arbitration proceedings, including attorneys' fees, shall be borne in the manner determined by the arbitral tribunal.
- (12) Interest. The award may include interest, as determined by the arbitral award, from the date of any default or other breach of this Agreement until the arbitral award is paid in full. Interest awarded shall not exceed the Agreed Interest Rate.
- (13) Currency of Award. The arbitral award shall be made and payable in United States dollars, free of any tax or other deduction.
- (14) Exemplary Damages. The Parties waive their rights to claim or recover, and the arbitral tribunal shall not award consequential damages, any punitive, multiple, or other exemplary damages (whether statutory or common law) or any Consequential Losses, except to the extent such damages have been awarded to a third party and are subject to allocation between or among the parties to the Dispute.
- (15) Waiver of Challenge to Decision or Award. To the extent permitted by law, any right to appeal or challenge any arbitral decision or award, or to oppose enforcement of any such decision or award before a court or any governmental authority, is hereby waived by the Parties except with respect to the limited grounds for modification or non-

ARTICLE 19
ALLOCATION OF COST RECOVERY OIL & NET CRUDE OIL AND NATURAL GAS

19.1 Allocation of Hydrocarbons

Technical Operator shall develop and the Operating Committee shall approve procedures for allocating Cost Recovery Oil and Net Crude Oil during each Calendar Quarter within and among the individual Exploitation Areas based upon the following principles:

- (A) The total quantity of Hydrocarbons produced and measured at the Delivery Point from each Exploitation Area and to which the Parties are collectively entitled under the Contract shall be composed of Cost Recovery Oil and Net Crude Oil in accordance with the provisions of the Contract.
- (B) Unless the Parties holding Participating Interests otherwise agree, Cost Recovery Oil and Net Crude Oil produced from or attributable to an Exploitation Area shall be allocated to the Parties in proportion to their Participating Interests or Carried Interest in such Exploitation Area.
- (C) Notwithstanding anything to the contrary contained in this Article 19, and to the extent allowed under the Contract, costs and expenses cost-recoverable under the Contract which are not specifically attributable to an Exploitation Area ("**Unallocated Recoverable Costs**"), if any, shall be recoverable by the Parties in proportion to their respective participation in the operations which created the right to recover such Unallocated Recoverable Costs, provided, however, that the rights of a Party to Cost Recovery Oil or Net Crude Oil from an Exploitation Area to which it is a participant shall not be impaired by the rights of any other Party to recover Unallocated Recoverable Costs.

The Operating Committee shall approve procedures for allocating Natural Gas in accordance with Article 13 of the Contract and the Hydrocarbons Law.

19.2 Use of Estimates

Initial distribution of Hydrocarbons pursuant to this Article 19 shall be based upon estimates furnished by Technical Operator pursuant to Article 9, with adjustments for actual figures to be made in kind within forty-five (45) Days after the end of the Calendar Quarter and at any later date when adjustments must be made with the Government under the Contract.

19.3 Principles

If no allocation procedure is approved by the Operating Committee in accordance with Article 19.1 in respect of Cost Recovery Oil and Net Crude Oil, the Parties shall nonetheless be bound by the principles set forth in this Article 19.

ARTICLE 20
GENERAL PROVISIONS

20.1 Conduct of the Parties

- (A) [REDACTED]
[REDACTED]
[REDACTED] make offer or authorize request receive or accept with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or [REDACTED]
[REDACTED]

[REDACTED]

(B) [REDACTED]

20.4 Successors and Assigns

Subject to the limitations on Transfer contained in Article 12 of the Agreement, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

20.5 Waiver

No waiver by any Party of any one or more defaults by another Party in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Agreement no Party shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

20.6 No Third Party Beneficiaries

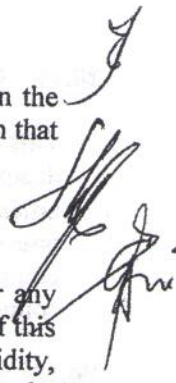
Except as provided under Article 4.7(B) of the Agreement, the interpretation of this Agreement shall exclude any rights under legislative provisions conferring rights under a contract to persons not a party to that contract including, without limitation, the *Contracts (Right of Third Parties) Act 1999*.

20.7 Joint Preparation

Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

20.8 Severance of Invalid Provisions

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.



Parties; and (ii) supersedes all prior understandings and negotiations of the Parties.

EXHIBIT A.
ACCOUNTING PROCEDURE

This Exhibit is an integral part of the Agreement.

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1.4.3 The Joint Account shall be maintained by Technical Operator in the English language and in United States of America ("U.S.") currency and in such other language and currency as may be required by the laws of the Country of Operations or the Contract. Conversions of currency shall be recorded at the rate actually experienced in that conversion. Currency translations are used to express the amount of expenditures and receipts for which a currency conversion has not actually occurred. Currency translations for expenditures and receipts shall be recorded in accordance with Technical Operator's normal practice. A statement describing the practice will be provided to the Non-Operators upon request.

1.4.4 Any currency exchange gains or losses shall be credited or charged to the Joint Account, except as otherwise specified in this Accounting Procedure. Any such exchange gains or losses shall be separately identified as such.

1.4.5 This Accounting Procedure shall apply, *mutatis mutandis*, to Exclusive Operations in the same manner that it applies to Joint Operations; provided, however, that the charges and credits applicable to Consenting Parties shall be separately maintained. For the purpose of determining and calculating the remuneration of the Consenting Parties, including the premiums for Exclusive Operations, the costs and expenditures shall be expressed in U.S. currency (irrespective of the currency in which the expenditure was incurred).

1.4.6 The Accrual basis for accounting shall be used in preparing accounts concerning the Joint Operations.

1.5 STATEMENTS AND BILLINGS.

1.5.1 Unless otherwise agreed by the Operating Committee, Technical Operator shall submit monthly to each Party, on or before the 30th Day of each month, statements of the costs and expenditures incurred during the prior month, indicating by appropriate classification the nature thereof, the corresponding budget category, and the portion of such costs charged to each of the Parties.

These statements, as a minimum, shall contain the following information:

- advances of funds setting forth the currencies received from each Party,
- the share of each Party in total expenditures,
- the accrued expenditures,
- the current account balance of each Party,
- summary of costs, credits, and expenditures on a current month, year-to-date, and inception-to-date basis or other periodic basis, as agreed by the Operating Committee (such expenditures shall be grouped by the categories and line items designated in the approved Work Program and Budget submitted by Technical Operator in accordance with the Agreement so as to facilitate comparison of actual expenditures against that Work Program and Budget),



- [REDACTED]
[REDACTED]

cost of converting to the requested currency shall be charged to that Non-Operator.

- 1.6.4** Notwithstanding the provisions of Section 1.6.2, should Technical Operator be required to pay any sums of money for the Joint Operations which were unforeseen at the time of providing the Non-Operators with said estimates of its requirements, Technical Operator may make a written request of the Non-Operators for special advances covering the Non-Operators' share of such payments. Each such Non-Operator shall make its proportional special advances within ten (10) Days after receipt of such notice.

- [illegible]

If Operator does not refund the money within the time required, the unpaid balance shall bear and accrue interest at the Agreed Interest Rate from the due date until the payment is received by the Non-Operator who requested the refund.

- 1.6.6** If Non-Operator's advances are less than its share of cash expenditures, the deficiency shall, at Technical Operator's option, be added to subsequent cash advance requirements or be paid by Non-Operator within ten (10) Days following the receipt of Technical Operator's billing to Non-Operator for such deficiency.

- 1.6.7 If, under the provisions of the Agreement, Technical Operator is required to segregate funds received from the Parties, any interest received on such funds shall be applied against the next succeeding cash call or, if directed by the Operating Committee, distributed quarterly. The interest thus received shall be allocated to the Parties on an equitable basis taking into consideration the date of funding by each Party to the accounts in proportion to the total funding into the account. When so requested, a monthly statement summarizing receipts, disbursements, transfers to each joint bank account and beginning and ending balances thereof shall be provided by Technical Operator to the Parties.

Any interest received by Operator from interest-bearing accounts containing commingled funds received from the Parties shall be credited to the Parties in accordance with the allocation procedure as set forth above.

- 1.6.8** If Technical Operator does not request Non-Operators to advance their share of estimated cash requirements, each Non-Operator shall pay its share of cash expenditures within ten (10) Days following receipt of Technical Operator's billing.

- 1.6.9 Payments of advances or billings shall be made on or before the due date. In accordance with Article 8 of the Agreement, if these payments are not received by the due date, the unpaid balance shall bear and accrue interest from the due date until the payment is received by Technical Operator at the Agreed Interest Rate and the Party which failed to pay shall be treated as a Defaulting Party. For the purpose of determining the unpaid balance and interest owed, Technical Operator shall translate to U.S. currency all amounts owed in other currencies using the currency exchange rate, determined in accordance with Section 1.4.3, at the close of the last Business Day prior to the due date for the unpaid balance.

1.8.2 Technical Operator shall endeavor to produce information from its Affiliates reasonably requested to support charges from those Affiliates to the Joint Account other than those charges referred to in Section 3.1.

1.8.3 Except for charges under Section 2.7.1, the following provisions apply to all charges from Technical Operator for its Affiliates.

Without prejudice to the Technical Operator's obligations under Section 1.8.2, the internal records of Technical Operator's Affiliates providing services to the Joint Operations may not be audited by the Non-Operator. However, in addition to the information provided by the Technical Operator under Section 1.8.2, and upon request by a Non-Operator within twenty-four (24) months following the end of the same Calendar Year as provided in Section 1.8.1 above, Technical Operator will cause its Affiliate to provide Non-Operator an annual report from an internationally recognized independent public accounting firm. The report will attest that charges billed from such Affiliate to the Joint Account represent a complete and accurate allocation of its costs to the Joint Operations, exclude any element of profit, exclude any duplication of costs covered under Sections 2 and 3, and are consistent in application to all of its activities. The report will be furnished by the Technical Operator within twelve (12) months of the request from the Non-Operator. The cost of providing the annual report shall be borne by the Non-Operator who requested the audit.

No amounts paid to an Affiliate of Technical Operator, which the Non-Operator seeks to audit, may be charged to the Joint Account if the Affiliate of the Technical Operator does not furnish the audit report as provided above.

1.8.4 Subject to the provisions of Section 1.8.3, which shall apply *mutatis mutandis* to such audits unless otherwise agreed by the Parties:

- A. in addition to the information provided by the Technical Operator under Section 1.8.2, a Non-Operator may seek to audit the books and records of an Affiliate of the Technical Operator relating to the charges by the Affiliate to the Joint Account for the same Calendar Year as provided in Section 1.8.1. The audit shall be conducted by an internationally recognized independent public accounting firm with the capacity to conduct such audit designated by the Non-Operators who requested the audit. The cost of such audit shall be borne by Non-Operators who requested the audit. The Non-Operator will seek agreement with the Affiliate of the Technical Operator on the audit scope to confirm the details and facts relating to such charges. The audit scope proposed by Non-Operator shall be fair and reasonable;
- B. any Party may audit the records of an Affiliate of another Party relating to that Affiliate's charges under Section 2.7.1. Should such charges be rejected under the provisions of Section 1.8.3, such charges shall be charged back to the Party whose Affiliate provided the service;
- C. any Party may audit the records of Technical Operator's Affiliate relating to charges under Section 2.6; and
- D. any Party may audit the records of a Non-Operator or its Affiliate relating to charges under Section 2.7.3. Should such charges be rejected under the provisions of Section 1.8.3, such charges shall be charged back to the Party whose Affiliate provided the service.

SECTION 2

DIRECT CHARGES

Technical Operator shall charge the Joint Account for all costs and expenditures incurred by Technical Operator for the conduct of Joint Operations within the limits of approved Work Programs and Budgets or as otherwise specified in the Agreement. Charges for services normally provided by an Technical Operator such as those contemplated in Section 2.7.2 which are provided by a Party's Affiliate shall reflect the cost to the Affiliate, excluding profit, for performing such services, except as otherwise provided in Section 2.6 and Section 2.7.1.

The costs and expenditures shall be recorded as required for the settlement of accounts between the Parties hereto in connection with the rights and obligations under the Agreement and for purposes of complying with the tax laws of the Country of Operations and of such other countries to which any of the Parties may be subject.

Chargeable costs and expenditures may include:

2.1 LICENSES, PERMITS, AND OTHER COSTS.

All costs, if any, attributable to the acquisition, maintenance, renewal or relinquishment of licenses, permits, contractual and/or surface rights acquired for Joint Operations and bonuses paid in accordance with the Contract when paid by Technical Operator in accordance with the provisions of the Agreement.

2.2 SALARIES, WAGES AND RELATED COSTS.

Salaries, wages and related costs include everything constituting the employees' total compensation, as well as the cost to Technical Operator of holiday, vacation, sickness, disability benefits, living and housing allowances, travel time, bonuses, and other customary allowances applicable to the salaries and wages chargeable hereunder, as well as the costs to Technical Operator for employee benefits, including but not limited to employee group life insurance, group medical insurance, hospitalization, retirement, severance payments required by the laws or regulations of the Country of Operations (additional severance payments in excess of those provided by the laws or regulations of the Country of Operations shall be chargeable to the Joint Account to the extent that they are in accordance with Technical Operator's benefit policies), and other benefit plans of a like nature applicable to labor costs of Technical Operator.

All costs associated with organizational restructuring (e.g., separation benefits, relocation costs, asset disposition costs) of Technical Operator or its Affiliates, other than those costs which are directly related to employees of Technical Operator who are directly engaged in Joint Operations on a full time basis, will require the approval of the Parties to be chargeable to the Joint Account.

Any costs associated with Country of Operations benefit plans which are not currently funded shall be accrued and not be paid by Non-Operators, unless otherwise approved by the Operating Committee, until the same are due and payable to the employee, upon withdrawal of a Party pursuant to the Agreement and then only by the withdrawing Party, or upon termination of the Agreement, whichever occurs first.

Expenditures or contributions made pursuant to assessments imposed by governmental authority for payments with respect to or on account of employees described in Section 2.2.1 and Section 2.2.2 shall be chargeable to the Joint Account.

2.2.1 The salaries, wages and related costs of employees of Technical Operator and its Affiliates temporarily or permanently assigned in the Country of Operations and directly engaged in

2.5.1 Purchasing Fee.

When economical to do so, and required for the benefit of the Joint Operations, Technical Operator may request its Affiliates to provide purchasing, expediting and traffic coordination services. Charges to the Joint Account for the provision of these purchasing services shall be based on the Affiliate's standard purchasing fee.

The fee shall be reviewed periodically by Technical Operator's Affiliates, and future changes shall be made upward or downward as indicated by the Affiliate's cost experience for the provision of these purchasing services. Any changes affecting the charges to the Joint Account shall be subject to notification by Technical Operator and approval by the Parties. Such charges shall be in lieu of any charges for the same or similar services provided herein.

2.6 EXCLUSIVELY OWNED EQUIPMENT AND FACILITIES OF TECHNICAL OPERATOR AND AFFILIATES.

Charges for exclusively owned equipment, facilities, and utilities of Technical Operator or any of its Affiliates shall be at rates not to exceed the average commercial rates of non-affiliated third parties then prevailing for like equipment, facilities, and utilities for use in the area where the same are used hereunder. On request, Technical Operator shall furnish Non-Operators a list of rates and the basis of application. Such rates shall be revised from time to time if found to be either excessive or insufficient, but not more than once every six months.

Exclusively owned drilling tools and other equipment used in Joint Operations lost in the hole or damaged beyond repair may be charged at replacement cost less depreciation plus transportation costs to deliver like equipment to the location where used.

2.7 SERVICES.

2.7.1 The charges for services provided by the Non-Operators, including the Administrative Operator, or third parties, including the Affiliates of the respective Parties which have contracted with Technical Operator to perform services that are normally provided by third parties, other than those services covered by Section 2.7.2 and Section 2.7.3, shall, subject to approval by the Operating Committee, be chargeable to the Joint Account. Such charges for services provided by the Affiliates of the respective Parties shall not exceed those currently prevailing at the time the services are provided if performed by non-affiliated third parties, considering quality and availability of services.

2.7.2 The cost of services performed by Technical Operator's Affiliates technical and professional staffs not located within the Country of Operation and not otherwise covered under Section 2.2.2, shall be chargeable to the Joint Account. The individual rates shall include salaries and wages of such technical and professional personnel, lost time, governmental assessments, and employee benefits. Costs shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited to, rent, utilities, support staff, drafting, telephone and other communication expenses, computer support, supplies, depreciation, accommodation, transportation and other reasonable expenses. Examples of such services include the following:

Geologic Studies and Interpretation
Seismic Data Processing
Well Log Analysis, Correlation and Interpretation

2.10 LITIGATION, DISPUTE RESOLUTION AND ASSOCIATED LEGAL EXPENSES.

The costs and expenses of litigation, dispute resolution and associated legal services necessary for the protection of the Joint Operations under the Agreement as follows:

- 2.10.1 Legal services, other than those provided by the Parties or their Affiliate employees, necessary or expedient for the protection of the Joint Operations, and all costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, including reasonable attorneys' fees and expenses, together with all judgments obtained against or settlements procured in respect of the Parties, Non-Party Indemnitees or any of them arising from the Joint Operations.
- 2.10.2 If the Operating Committee agrees, litigation, arbitration or other alternative dispute resolution procedures resulting from actions or claims affecting the Joint Operations hereunder may be handled by the legal staff of one or any of the Parties or their respective Affiliates; and a charge commensurate with the reasonable costs of providing and furnishing such services rendered may be made by the Party or its Affiliates providing such service to Technical Operator for the Joint Account.

2.11 TAXES AND DUTIES.

All taxes, duties, assessments and governmental charges, of every kind and nature, assessed or levied upon or in connection with the Joint Operations, other than any that are measured by or based upon the revenues, income and net worth of a Party.

If Technical Operator or an Affiliate is subject to income or withholding tax as a result of services performed at cost for the operations under the Agreement, its charges for such services may be increased (grossed up) by the amount of such taxes incurred by an amount which will enable them to recover the full cost of such services after deduction for such taxes incurred on a transactional basis.

2.12 ECOLOGICAL AND ENVIRONMENTAL.

Costs incurred on the Joint Property as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by any Government or regulatory authority or applicable laws and regulations of the Country of Operations. Also, costs to provide or have available pollution containment and removal equipment for Joint Operations plus costs of actual control, clean up and remediation resulting from responsibilities associated with Hydrocarbons contamination occurring in connection with Joint Operations as required by all applicable laws and regulations of the Country of Operations.

2.13 DECOMMISSIONING (ABANDONMENT) AND RECLAMATION.

Costs incurred for decommissioning (abandonment) and reclamation of the Joint Property, including costs required by Government or other regulatory authority or by the Contract.

2.14 OTHER EXPENDITURES.

[REDACTED]

[REDACTED]

[REDACTED]

3.2.3

assessed each Calendar Year calculated from the [REDACTED] shall be [REDACTED] periods of less than a year.

3.3

EXCLUSIONS.

The expenditures used to calculate the monthly indirect charge shall not include the indirect charge (calculated either as a percentage of expenditures or as a minimum monthly charge), rentals on surface rights acquired and maintained for the Joint Account, guarantee deposits, pipeline tariffs, concession acquisition costs, bonuses paid in accordance with the Contract, royalties and taxes on production or revenue to the Joint Account paid by Technical Operator, payments to third parties in settlement of claims, and other similar items.

Credits arising from any government subsidy payments, disposition of Material, and receipts from third parties for settlement of claims shall not be deducted from total expenditures in determining such indirect charge.

basis of the current price of items normally used for such other purpose if sold to third parties.

4.3

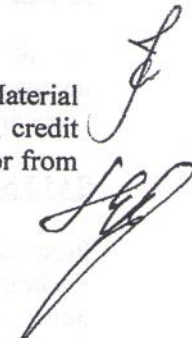
PREMIUM PRICES.

Technical Operator shall have the right to demand that Non-Operator shall pay the actual cost incurred procuring such Material, in making it suitable for use and providing it to the required delivery date is 6 months to Non-Operator (or such shorter period as may be specified by Technical Operator) before the Material is required to be delivered to the Non-Operator. Non-Operator shall have the right, by so specified by Technical Operator, to return such Material (or such shorter period as may be part of its share of such Material) on the terms of delivery specified by Technical Operator both as to quality and time of delivery. If such Material is not be unreasonably withheld. If Material furnished is deemed unsuitable for use, the costs incurred in disposing of such Material or returning Material to owner shall be borne by the Non-Operator unless otherwise agreed by the Parties. If a Non-Operator fails to properly accept Material furnished in kind by the Non-Operator, the Technical Operator is not required to accept such Material. The Joint Account on the basis of the price allowed during a "boom" period shall be changed and movement.

4.4

WARRANTY OF MATERIAL FURNISHED BY TECHNICAL OPERATOR.

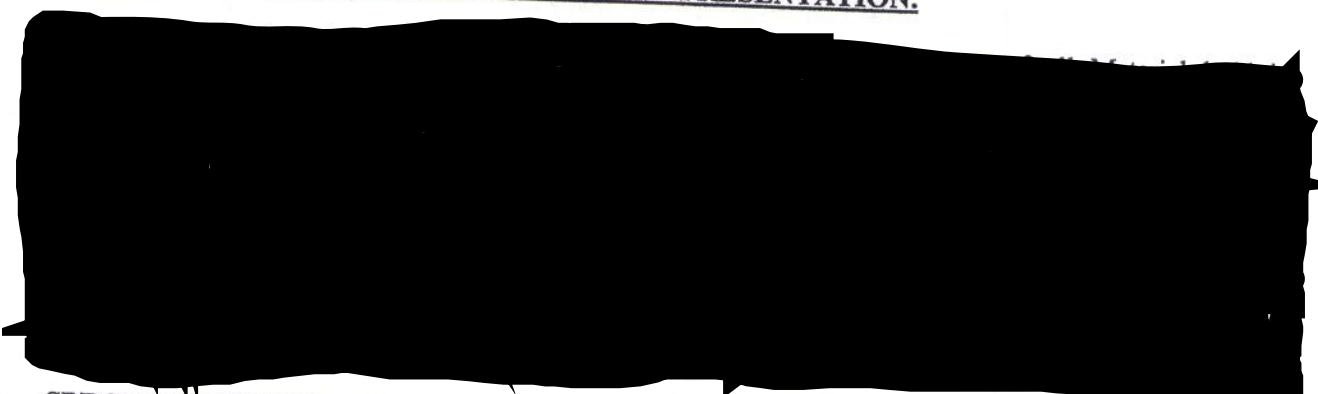
Technical Operator does not warrant the condition or fitness for the purpose intended of the Material furnished. In case defective Material is furnished by Technical Operator for the Joint Account, credit shall not be passed to the Joint Account until adjustment has been received by Technical Operator from the manufacturers or their agents.



SECTION 6

INVENTORIES

.1 PERIODIC INVENTORIES - NOTICE AND REPRESENTATION.



6.2 SPECIAL INVENTORIES.

Whenever there is a sale or change of a Participating Interest in the Agreement, a special inventory may be taken by the Technical Operator provided the seller and/or purchaser of such interest agrees to bear all of the expense thereof. In such cases, both the seller and the purchaser shall be entitled to be represented and shall be governed by the inventory so taken.