

6.6 Contract Awards

Subject to the Contract, Operator shall award each contract for Joint Operations on the following basis (the amounts stated are in thousands of U.S. dollars):

| | <u>Procedure A</u> | <u>Procedure B</u> | <u>Procedure C</u> |
|--------------------------------------|--------------------|--------------------|--------------------|
| Exploration and Appraisal Operations | 0 to 500 | 500 to 2,000 | > 2,000 |
| Development Operations | 0 to 500 | 500 to 5,000 | > 5,000 |
| Production Operations | 0 to 500 | 500 to 2,000 | > 2,000 |

Procedure A

- (A) Operator shall award the contract to the best qualified contractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Operating Committee.

Procedure B

- (B) Operator shall:

- (1) provide the Parties with a list of the entities whom 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) complete the tendering process within a reasonable period of time;
- (4) inform the Parties of the entities to whom the contract has been awarded;
- (5) circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and
- (6) upon the request of a Party, provide such Party with a copy of the final version of the contract.

Procedure C

- (C) Operator shall:

- (1) provide the Parties with a list of the entities whom 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) after the expiration of the period allowed for tendering, consider and analyze the details of all bids received;

- (5) prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;
 - (6) obtain the approval of the Operating Committee to the recommended bid; and
 - (7) upon the request of a Party, provide such Party with a copy of the final version of the contract.
- (D) The Operator shall obtain the prior approval of the Operating Committee before awarding any contract to an Affiliate of the Operator which exceeds five hundred thousand (500,000) U.S. dollars.

6.7 Authorization for Expenditure ("AFE") Procedure

- (A) Prior to incurring any commitment or expenditure for the Joint Account, which is estimated to be in excess of five hundred thousand (500,000) U.S. dollars in a Work Program and Budget, Operator shall send to each Non-Operator an AFE as described in Article 6.7(C). Notwithstanding the above, Operator shall not be obliged to furnish an AFE to the Parties with respect to any Minimum Work Obligations, workovers of wells and general and administrative costs that are listed as separate line items in an approved Work Program and Budget.
- (B) Notwithstanding any other provision of this Agreement, all AFEs shall be for informational purposes only. Approval of an operation in the current Work Program and Budget shall authorize Operator to conduct the operation (subject to Article 6.8) without further authorization from the Operating Committee.
- (C) Each AFE proposed by Operator shall:
 - (1) identify the operation by specific reference to the applicable line items in the Work Program and Budget;
 - (2) describe the Joint Operations in detail;
 - (3) contain Operator's best estimate of the total funds required to carry out such Joint Operations;
 - (4) outline the proposed work schedule;
 - (5) provide a forecast schedule of commitments and expenditures, if known; and
 - (6) be accompanied by such other supporting information as is necessary for an informed decision.

6.8 Overexpenditures of Work Programs and Budgets

- (A) For expenditures on any line item of an approved Work Program and Budget, Operator shall be entitled to incur without further approval of the Operating Committee an overexpenditure for such line item up to ten percent (10%) of the authorized amount for such line item, provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total annual Work Program and Budget in question.