Exhibit 10.7  
  
Tractatus LLC  
00 Xxxxxxxx Xxxxxx, Xxx Xxxx NY 1 3 USA  
Tel: 1 212233.3549 Fax: 1 4135 1.0390 e-mail: xxxxxx@xxx.xxx  
  
July 2, 2001  
Transmeridian Exploration Incorporated  
00000 Xxxxx Xxxxxxx Xxxxx 000  
Xxxxxxx, XX 00000 XXX  
  
Attn: Xx. Xxxxx Xxxxxxxx, Chairman  
Xx. Xxxxxx X. Xxxxxxx, President & CEO  
  
Gentlemen:  
  
This letter confirms the understanding and agreement (the "Agreement") between  
Transmeridian Exploration Incorporated, a Delaware corporation ("TMEI") and its  
Affiliates (collectively, the "Company"), and Tractatus LLC, a Delaware limited  
liability company ("Tractatus") as follows:  
  
1. The Company hereby engages Tractatus as its agent for the purpose of advising  
on the structuring and placement with a bank or other financial institution of a  
borrowing based, production note or other debt facility (term or revolver) to be  
used for development of the Company's oil and gas assets and other projects,  
where such debt facility may include equity features or direct or indirect  
interests in properties of the Company (collectively referred a as the  
"Facility"), of between approximately $10-30 million (hereinafter referred to as  
the "Transaction"). For purposes hereof, a Transaction shall include any single  
transaction or any series of transactions whereby the Facility is funded.  
Tractatus' agency on behalf of the Company shall continue until the closing of  
the Transaction, unless earlier terminated pursuant to paragraph 6 below. In  
connection with activities hereunder, Tractatus may designate one or more third  
parties ("Designated Firms") through whom such activities may be conducted and  
compensation allocated.  
  
2. Tractatus hereby accept the engagement described in paragraph 1 and, in that  
connection, agrees to:  
  
(a) Keep and maintain all material non-public information which Tractatus  
receives or develops concerning the Company confidential and disclose that  
information only as contemplated by this Agreement or as required by law;  
provided that if disclosure is required, Tractatus shall: (i) promptly notify  
the Company; and (ii) disclose only so much of such information as is necessary  
to avoid penalty or sanction. Notwithstanding the foregoing, Tractatus may  
disclose non-public information to its agents, employees, advisors, potential  
financing sources and Designated Firms on a need to know basis; and  
  
(b) Review the Company's operations and advise the Company regarding its capital  
structure, the valuation of its business, and the financing alternatives  
reasonably available to the Company.  
  
3. Except as required by law any advice rendered by Tractatus pursuant to this  
engagement shall be treated as confidential by the Company, shall be solely for  
the benefit of the Company and shall not be disclosed publicly in any manner  
without the prior written consent of Tractatus. If practicable, without prior  
consultation with Tractatus, the Company shall not make any legally required  
disclosure of such advice nor make any public announcement or filing in which  
Tractatus' name appears.  
  
4. The Company shall:  
  
(a) Promptly advise Tractatus in writing of any parties with which the Company  
has had substantive discussions regarding a possible Transaction prior to or  
subsequent to the date of this Agreement and during Tractatus' engagement  
hereunder; and which transaction if completed will not be subject to this  
agreement  
  
  
  
(b) Make available to Tractatus all information concerning the current and  
proposed business, assets, operations and financial condition of the Company and  
its projects which may reasonably be required by Tractatus in connection with  
the performance of its services hereunder. Tractatus may rely upon the accuracy  
and completeness of such information without independent verification.  
  
5. During the period that Tractatus is engaged by the Company, the Company shall  
not directly or indirectly engage in any substantive discussions with Tractatus  
Parties (as defined below) concerning a Transaction without giving prior notice  
to Tractatus.  
  
6. Subject to the provisions of paragraphs 7 through 11, which shall survive any  
termination of this Agreement, the Company or Tractatus may terminate Tractatus'  
engagement hereunder at any time with or without cause by giving Tractatus or  
the Company, as the case may be, at least 30 business days prior written notice  
of termination.  
  
7. The Company shall pay Tractatus a non-refundable retainer through the  
issuance of 5,000 shares of common stock of TMEI payable upon the execution of  
this Agreement.  
  
8. The Company agrees to conditionally compensate Tractatus as follows:  
  
(a) If a Transaction is completed with a client of Tractatus during the term of  
Tractatus' engagement or within 12 months following the termination of  
Tractatus' engagement pursuant to paragraph 6 above, then the Company shall,  
upon initial closing of the Transaction, pay Tractatus as compensation for its  
services, advisory compensation equal to the greater of (i) $250,000 and (ii) 1%  
of the gross proceeds of Facility subscribed, received or to be paid in  
connection with a Transaction. The fee payable pursuant to this Section 8(a)  
shall be paid pro-rata with draw-downs under the Facility, based upon the ratio  
that the aggregate draw-downs bear to the initial borrowing base; provided the  
initial $250,000 shall be payable when the Company has received been paid  
$5,000,000 of gross proceeds under the Facility.  
  
(b) For the purpose f determining compensation due Tractatus under paragraph  
8(a) above, Facility will include amounts initially disbursed by the bank(s) or  
other financial institution(s) participating in such Facility and commitments ma  
e by such bank(s) or other financial institution(s) to purchase additional  
Facility.  
  
(c) The compensation due to Tractatus under paragraph 8(a) above shall be  
pro-rated by the ratio that participations in the Facility ("Participations")  
acquired by Tractatus Parties in the Transaction, bears to the total amount of  
Participations acquired in the Transaction; provided, Tractatus Parties shall be  
entitled, at Tractatus' election, to subscribe and purchase not less $5 million  
of Participations issued in the Transaction on terms and amount no less  
favorable than the most beneficial terms upon which the Facility are offered to  
non- Tractatus Parties .For purposes of this Agreement, "Tractatus Parties"  
shall be persons or entities introduced to the Company by Tractatus or a  
Designated Firm as set forth on Schedule "A" attached hereto (as may be amended  
from time to time), or with whom Tractatus or a Designated Firm has substantial  
involvement in connection with the Transaction based on a written request from  
the Company, and persons or entities introduced o the Company by other Tractatus  
Parties.  
  
9. The Company agrees, whether or not a Transaction proceeds, to pay all  
expenses directly related to the execution of this agreement. Such expenses  
shall include, without limitation, travel, telephone, postage and courier,  
printing and any other out-of-pocket costs incurred by Tractatus or the  
Designated Firms. Reimbursement by the Company for approved out-of-pocket  
expenses shall be made to Tractatus at the earlier of (i) 30 days from the date  
the Company receives documentation, or (ii) initial closing of the Transaction,  
  
10. The Company hereby agrees to indemnify and hold harmless Tractatus, its  
members, managers, directors, officers, employees, agents and controlling  
persons (as defined under the Facility Act of 1933, as amended (the "1933  
Act")), and those of the Designated Firms from and against any and all losses,  
claims, damages, liabilities and expenses, joint and several (including all  
reasonable fees of counsel, whether or not resulting in liability), caused by or  
resulting out of Tractatus' acting for the Company pursuant to this Agreement  
(collectively, "Claims") provided, however, that the Company will not be liable  
hereunder to the extent that any Claim ultimately adjudicated in a  
non-appealable  
  
  
  
judgment to have resulted from Tractatus' gross negligence or willful misconduct  
in performing the services described above.  
  
11. If a Transaction is completed pursuant to this Agreement, Tractatus may at  
its expense and with prior notice to and the Company's approval (which approval  
shall not be unreasonably withheld or delayed), place an announcement in such  
newspapers and periodicals as it may choose stating that Tractatus has acted as  
financial advisor for the company in such transaction.  
  
12. This Agreement shall be binding upon and inure to the benefit of the parties  
and their successors and assigns. This Agreement represents the entire  
understanding between the parties, and all prior discussions and negotiations  
are merged in it, This Agreement shall be governed by and construed in  
accordance with the laws of the State of Delaware without reference to the  
state's conflicts of law principles.  
  
If the foregoing correctly sets forth the understanding and agreement between  
Tractatus and the Company, please so indicate in the space provided for that  
purpose below.  
  
Sincerely,  
Tractatus LLC  
By: /S/ XXXXXX X. XXXXXXX  
XXXXXX X. XXXXXXX Managing Director  
  
ACCEPTED AND AGREED:  
Transmeridian Exploration Incorporated  
By: /S/ Xxxxx X. Xxxxxxxx  
Xxxxx X. Xxxxxxxx  
Chairman of the Board  
Dated July 3, 2001