

Confidentiality, Bidding,
Participation, and Purchase and Sale
Agreements

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1. INTRODUCTION

Before attempting to forecast the next century it is useful to review some historical facts (Figures 1 and 2):

- In 1950, the world crude oil reserves at the then current rate of consumption would have lasted 20 years; today, known oil reserves will last 50 years at today's (much higher) rate of consumption.
- In 1970, over 50% of worldwide production came from OPEC; today, about 42% comes from OPEC.
- In 1947, crude oil cost about \$2.00 per barrel and the cost gradually increased during the next 23 years to \$3.35 barrel in 1970.
- In 1970, North America and Europe consumed 60% of the annual crude oil production; today consumption of these continents is less than 50% and falling as developing countries increase hydrocarbon consumption.
- In 1970, environmental concerns posed no significant additional operating cost.

From these facts it might have been reasonable to gaze at the crystal ball in 1970 and predict. (Figure 3):

- Stable geographically centered supply/demand
- Gradual increase in OPEC influence
- Price predictability
- No need to address environmental concerns

The reality of the last 25 years has been quite different from these predictions. Perhaps, a better look at the future can be obtained by first sorting the variables and determining alternative scenarios which are all equally reasonable.

2. KEY VARIABLES

If energy prices were driven only by the market forces of supply and demand, without intervention of other forces, planning for the future would be relatively easy. Listed below are key variables which affect simple market balances together with a short statement of what the future may hold in store in the 21st century. (Figure 4).

- A. Technology - Science will lead to efficiencies, cost savings and more supply. Other factors (see environment/government below) may stimulate alternative fuel research and use.

- B. Environment - Heavy pressure will be exerted on industry to be responsive to global problems (warming, pollution). This pressure will be reflected in higher costs. (An interesting footnote to this issue: polls have shown that, although the vast majority of Americans support protection of the environment, few are willing to make substantial lifestyle changes to achieve this goal.)
- C. Government - Generally will continue to be a dominant factor internationally affecting all areas of the industry. Some countries, such as the USA, will continue to use unilateral economic sanctions, impacting the industry, as instruments of foreign policy. Taxation and other policies which are disincentives to savings and capital formation will have a negative impact on the industry.
- D. Trade - Countries will continue moving toward large, regional trading blocks. These blocks will cause increased integration of international markets.
- E. Geopolitical Risk - Some areas of the world will continue to be politically and economically unstable. This instability can lead to unexpected supply disruptions which will cause short term price increases but no real, long term industry growth.

3. PREDICTIONS

Given the mix of key variables set out above, I will make the following predictions. (Figure 5).

- A. Global Supply Demand - Promotion of free trade and continued economic development in emerging and industrialized countries will create a global economy with significantly increased worldwide energy demand twenty-five years from now. Worldwide oil and gas demand will likely increase at 1-2% per year, led by robust growth (3-4% or more) in the emerging/developing countries. While oil and gas will remain the primary energy source, we could see increased use of coal, particularly in developing countries, where its local availability and low costs are important. Although negative sentiment toward nuclear power will limit its growth in developed countries, we may see increased use in developing countries. Alternative energy sources will continue to grow in importance, but due to their high relative cost, will likely remain a minor component of 2020 energy consumption.
- B. U.S. Supply/Demand - U.S. energy demand is expected to grow at just over 1% per year, with oil demand only increasing at 0.5% per year. Worldwide oil supplies should remain plentiful, although the decline in U.S. oil production begun in the mid-1980s will likely continue resulting in increasing reliance on imports. North American gas resources should be adequate to maintain modest growth in demand for the next decade or so, but by 2020 gas production will have probably peaked and will also be in decline. Due to a dwindling number of domestic investment opportunities, the U.S. oil industry will be more internationally focused, especially in the upstream sector. U.S. oil production will continue its decline of 2-3% per year, which could be temporarily slowed if

ANWR and other currently restricted U.S. offshore drilling sites are opened for exploration and production. Even then, it is doubtful over the long term that the fields will be significant enough to stem the tide of U.S. reliance on oil imports, primarily from the Middle East and Latin America. U.S. energy security will likely remain a national security concern, particularly as to the politically and socially volatile Middle Eastern producing countries.

- C. Industry Structure - Companies will gravitate toward the regional economies and in core businesses where they are strongest. Shrinking profit margins, mature downstream markets in the U.S. and Europe, massive capital investments for exploration and producing in remote regions, and increased downstream expenditures for refinery improvements and clean fuels technology will cause the oil industry to continue to seek greater savings, greater efficiencies, and increased flexibility to respond to changing global market conditions. Industry employment will continue to decline in the U.S., while overseas growth will require increased international resources. U.S. policies that promote use of unilateral sanctions to further foreign policy initiatives will also hurt the international competitiveness of the U.S. oil industry.

Despite the potentially significant impact of these non-economic factors, we believe market-driven economics will be the major overriding long-term influence on the industry. Continued worldwide economic growth and the desire to improve lifestyles should result in customers demanding not only more but better products. Absent a major technological breakthrough in the alternative fuels market, oil and gas will continue to be the most cost effective approach to satisfying these demands.

Increased communications capabilities and the desire to cut facility costs will combine to concentrate work place locations outside of the USA and promote telecommuting.

- D. Alternative Fuels - Although we expect oil and gas to be the most economic, efficient and environmentally-sound fuel 25 years out, it is possible that alternative fuels could make inroads as the preferred fuel if there is a technological breakthrough and/or governments encourage their use through massive subsidization. Even without strong incentives promoting their use, alternative fuels may still capture certain niche markets. Government off-oil initiatives that provide subsidies or mandates for the use of alternative (non-petroleum based) fuels could, if accompanied by technological breakthroughs, create a growing niche for currently costly, inefficient fuels like ethanol, electric powered cars, and CNG. Mandates and subsidies for alternative fuels should be eliminated because they are a drain on the economy and support questionable environmental policies. Oil is the most efficient, economic and environmentally-sound transportation fuel available.
- E. Environmental Protection - Environmental policies and initiatives related to global warming could potentially have a profound effect on the future health of

the oil industry. The U.S. and other industrialized countries are considering commitments to significantly reduce CO₂, the primary greenhouse gas that is the product of combustion of oil products and natural gas, as well as coal. In order to achieve the level of CO₂ reductions sought by environmentalists, oil demand would need to be reduced by over 20%, causing more restructuring in the oil industry, and major lifestyle changes by consumers in developed countries. At the same time, developing/emerging countries do not believe that they should be restricted in their use of fossil fuels, and have not agreed to global warming policy initiatives that limit fossil fuel use.

An additional concern is that the public perception of the industry regarding control of pollution is generally negative. Technology advancements which contribute to a cleaner environment will be a top priority. Environmental enforcement will become more global.

4. CONCLUSION

Making predictions is a tricky business especially in the energy industry. The key variables will play a major role in determining whether the industry will grow and prosper or languish in the doldrums of no real growth, slowly liquidating itself. The opportunities presented are not easy to capitalize on unless a company is willing to take some risk, to make good use of technology, to be cost efficient and, most of all, to be innovative. The creative companies will survive by implementing Peter Drucker's words "Long-range planning does not deal with future decisions, but with the future of present decisions."

Introduction - Energy History: 1

1. In 1950, the world crude oil reserves at the then current rate of consumption would have lasted 20 years; today, known oil reserves will last 50 years at today's (much higher) rate of consumption.
2. In 1970, over 50% of worldwide production came from OPEC; today, about 42% comes from OPEC.
3. In 1947, crude oil cost about \$2.00 per barrel and the cost gradually increased during the next 23 years to \$3.35 barrel in 1970.

Introduction - Energy History: 2

4. In 1970, North America and Europe consumed 60% of the annual crude oil production; today consumption of these continents is less than 50% and falling as developing countries increase hydrocarbon consumption.
5. In 1970, environmental concerns posed no significant additional operating cost.

Introduction - 1970 Predictions

- ? Stable geographically centered supply / demand
- ? Gradual increase in OPEC influence
- ? Price predictability
- ? No need to address environmental concerns

Key Variables

- ? Technology
- ? Environment
- ? Government
- ? Trade Considerations
- ? Geopolitical Risk

Predictions

- ? Global Supply / Demand
- ? U.S. Supply / Demand
- ? Industry Structure

- ? Alternative Fuels
- ? Environmental Protection

MODEL FORM INTERNATIONAL STUDY AND BID GROUP AGREEMENT[®]

_____ (1)

_____ (2)

_____ (3)

AND

_____ (4)

AGREEMENT RELATING TO PARTICIPATING IN THE

_____ STUDY AREA: _____.

EFFECTIVE DATE: _____

Note: This model form has been prepared only as a suggested guide and may not contain all of the provisions that may be required by the parties to an actual agreement. This model form has not been endorsed by the Association of International Petroleum Negotiators (AIPN) nor all of the companies represented by this organization. Use of the form or any variation thereof shall be at the sole discretion and risk of the user parties. Users of the model form or any portion or variation thereof are encouraged to seek the advice of counsel to ensure that the final document reflects the actual agreement of the parties. AIPN disclaims any and all interests or liability whatsoever for loss or damages that may result from use of this model form or portions or variations thereof.

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STUDY AND BID GROUP AGREEMENT

THIS AGREEMENT is effective as of the ____ day of _____, 19__ among:

- (1) _____, a company incorporated in _____
_____ (hereinafter referred to as “_____”);
- (2) _____, a company incorporated in _____
_____ (hereinafter referred to as “_____”);
- (3) _____, a company incorporated in _____
_____ (hereinafter referred to as “_____”);
- (4) _____, a company incorporated in _____
_____ (hereinafter referred to as “_____”);

WHEREAS,

- (1) The Parties believe acreage in the Study Area may become available; and
- (2) The Parties deem it necessary to enter into this Agreement for the purpose of sharing acquisition costs and minimizing the individual risks, expenses, and investments related to the evaluation, exploration and development of acreage which may be acquired.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. Definitions

- A. “Affiliate” means a company, partnership or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls a Party. Control means the ownership directly or indirectly of fifty percent (50%) or more of the shares or the rights of voting authority in a company, partnership or legal entity.
- B. “Agreed Interest Rate” means interest compounded on a monthly basis, at a fluctuating rate per annum equal to the one (1) month term, LIBOR rate for U.S. dollar deposits, as published by The Wall Street Journal or if not published, then by the Financial Times of London, plus _____ percent (_____%), applicable on the first Business Day prior to the due date of payment and thereafter on first Business Day of each succeeding one (1) month term. If the aforesaid rate is contrary to any applicable usury law, the rate of

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interest to be charged shall be the maximum rate permitted by such applicable law.

- C. “Agreement” means this agreement, together with the Exhibits attached to this agreement.
- D. “Application” means any application for a Government Contract made by all or any of the Parties made pursuant to this Agreement.
- E. “Application Costs” means all actual, reasonable, and necessary costs and expenses incurred by operator in the preparation and submission of an Application, including, but not limited to, transportation, living, communication, courier, and reproduction costs, consultant fees with prior approval of the Parties, and wages and salaries of personnel directly engaged in or attributable to such work at agreed rates.
- F. “Application Date” means the last date on which any Application is due, as may be extended by the Government.
- G. “Bid Area” means an area for which an Application is made under the terms of this Agreement.
- H. “Business Day” means a day on which the banks in _____ are customarily open for business.
- I. “Commercial Terms” means a set of the minimum exploration work and fiscal terms, conditions, and commitments which a Party proposes for the purpose of determining the terms of an Application. Such fiscal terms, conditions, and commitments may include, but shall not necessarily be limited to bonuses, production sharing, production pricing, cost oil limits, and other similar terms.
- J. “Defaulting Party” means a Party failing to pay its share of costs and expenses under the terms of this Agreement.
- K. “Effective Date” of this Agreement shall be the date first written above.
- L. “Government” means the _____ and any other ministry, state-owned or operated oil company, agency or organization, department, office and/or bureau of the Government with jurisdiction over the Study Area.
- M. “Government Contract” means an instrument concluded with the Government as a result of an Application for the exploration, development, production, and/or marketing of oil and /or gas.

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- N. “Gross Negligence” means any act or failure to act (whether sole, joint, contributing, or concurrent) by a person or entity which was intended to cause or which was in reckless disregard of or wanton indifference to the harmful consequences such person or entity knew, or should have known, such act or failure would have had on the safety or property of another person or entity.

Optional Provision - Check if desired.

- [] Notwithstanding the above, Gross Negligence shall not include any error of judgment or mistake made by such person or entity in the exercise in good faith of any function, authority or discretion conferred on a person or entity under this Agreement.
- O. “Joint Operating Agreement” means an operating agreement relating to a Government Contract into which the Participating Parties may enter, using as a first basis the Association of International Petroleum Negotiators (“AIPN”) Model Form International Operating Agreement.
- P. “Minimum Material Provisions” means the minimum acceptable terms and conditions (excluding Commercial Terms) to be included in a Government Contract, (including, but not limited to, the expected model Government Contract, if any, and any required conceptual revisions thereof and any other minimum terms and conditions such as dispute settlement, stabilization, and repatriation of proceeds), which a Party determines must be present for that Party to be willing to execute such Government Contract.
- Q. “Negotiation Costs” means all actual reasonable and necessary costs and expenses incurred after the Application Date in negotiating a Government Contract, including, but not limited to, transportation, living, communication, courier, and reproduction costs, consultant fees with prior approval of the Parties, and wages and salaries of personnel directly engaged in or attributable to such work at agreed rates.
- R. “Notice” means a writing in English and delivered in person or by courier service or by any electronic means of transmitting written communications for which the sender received written confirmation of completed delivery addressed to such Parties as designated in this Agreement.
- S. “Operator” means a Party designated to be the operator pursuant to the terms of this Agreement.
- T. “Operator Personnel” means any director or officer of Operator and/or its Affiliates and as to such Operator or its Affiliates:

Check one Alternative.

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[] ALTERNATIVE 1

the manager in charge of the Work, an Application, or the negotiations with the Government, as applicable.

[] ALTERNATIVE NO. 2

the manager in charge of the Work, an Application, or the negotiations with the Government, as applicable, and all employees.

[] ALTERNATIVE NO. 3

the manager in charge of the Work, an Application, or the negotiations with the Government, as applicable, all employees, and agents.

- U. Participating Interest” means the undivided interest of each Party in the rights, benefits and obligations pursuant to this Agreement.
- V. “Participating Parties” means the Parties electing to participate in a particular Application.
- W. “Parties” means all of the signatories to this Agreement and their respective successors and assigns.
- X. “Party” means any one of the Parties.
- Y. “Study Area” means the area specified in Exhibit “A”.
- Z. “Work” means the work program, budgets (which may include a budget for Negotiation Costs), and operations as set forth in Exhibit “B”.

2. Technical Study

- A. _____ is designated as operator and shall carry out all the Work. Operator shall be allowed to exceed the budget for the Work by up to ten percent (10%) without approval of the Parties, provided such excess expenditures are reasonable and necessary to the completion of the Work.
- B. Subject to any confidentiality restriction and as may be otherwise provided for in Exhibit “B”, Operator shall provide to those who have paid their Participating Interest share of costs reasonable access to all data acquired or interpreted pursuant to this Agreement. Any Party may, at its expense, obtain copies of any of such data from Operator, provided that making such copies does not unduly interfere with the completion of the Work.

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- C. Prior to the first meeting of the Parties, each Party shall designate in writing to all other Parties its representative to the study and bid meetings provided for in this Agreement. Each Party's representative may appoint an alternate to act in his place. Any representative or alternate shall have the authority to bind the Party such person represents. Operator shall chair the meeting.
- D. All meetings shall be held at Operator's offices located in _____, _____ at _____ dates requested by Operator or _____ (____) or more Parties.
- E. Operator shall furnish to the Parties a final written interpretation and report as soon as reasonably possible, but no later than seventy-five (75) days prior to the Application Date.

3. Disclosure of Information

Check one Alternative.

☐ ALTERNATIVE NO. 1

Any Party, which considers that disclosure of any information to the other Parties to this Agreement would be advantageous in arriving at a bid, may disclose the information to such other Parties. Each Party which discloses such information hereby represents that it has the right to make such disclosure.

☐ ALTERNATIVE NO. 2

The Parties shall exchange with each other all relevant technical and interpretive information pertaining to the Study Area which can be disclosed without violating any obligations of confidentiality to third parties, excluding, however from this disclosure interpretive materials involving technology processing deemed by a Party to be of a proprietary nature.

4. Responsibilities of the Parties

- A. Each Party, with respect to the Work and any Application and/or any negotiations for Government Contract(s) in which it has a Participating Interest, shall have the following general obligations and liabilities:
 - (1) All of its obligations as described by the other Articles in this Agreement.
 - (2) Its Participating Interest share of all liabilities to third parties incurred by any Party as a result of Operator discharging its obligations as Operator under this Agreement.

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- (3) Sole responsibility to third parties and Parties for liability caused by such Party other than as a result of Operator discharging its obligations as Operator under this Agreement.
- B. The above general obligations and liabilities shall be subject to and limited by the following:
 - (1) No Party shall have any liability to any other Party for environmental, consequential (including lost profits), punitive, or similar indirect damages sustained by any Party as a result of Operator discharging its obligations as Operator under this Agreement. Each Party will continue to be liable for its Participating Interest share of indirect damages sustained by third parties pursuant to Article 4A.(2).

Check one Alternative:

☐ ALTERNATIVE NO. 1

- (2) If, as a result of Operator discharging its obligations as Operator under this Agreement, Operator Personnel:

Check one Option:

☐ OPTION NO. 1

fail to perform in a good workman-like manner in accordance with practices and principles generally followed by the international petroleum industry under similar circumstances;

☐ OPTION NO. 2

engage in Gross Negligence;

then, and only then, Operator shall be solely liable for any resulting liability to the Parties or to third parties for direct damages only. Notwithstanding the above, in no event shall Operator have any liability to the other Parties in regard to the accuracy of Operator's interpretation of the Work. Except for liabilities for direct damages expressly provided for in this Article 4.B.(2), Operator shall have no liability to the Parties as a result of Operator discharging its obligations as Operator under this Agreement, other than the liabilities applicable to all Parties as described by this Article 4.

☐ ALTERNATIVE NO. 2

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(2) No Party shall have any liability to any other Party for direct damages sustained by any Party as a result of Operator discharging its obligations as Operator under this Agreement. Each Party will continue to be liable for its Participating Interest share of direct damages sustained by third parties pursuant to Article 4 A.(2). Operator shall have no liability to the Parties other than the liabilities applicable to all Parties as described by this Article 4.

C. For the purposes of this Article 4, all limitations to operator's liability shall extend to Operator's Affiliates, as well as to directors, officers, managers, employees, and agents of Operator or its Affiliates who act on behalf of Operator to discharge the obligations of Operator in connection with the Work, any Application(s), and any negotiation(s) for a Government Contract. The limitations on liability for Operator and such other entities shall apply regardless of Operator's or such other entity's negligence (whether sole, joint, contributing, or concurrent), Gross Negligence, or strict liability, except as expressly provided for in this Article 4.

D. For the purpose of this Article 4, any "environmental damage", shall always be considered a form of indirect damages and never a form of direct damages.

5. Participating Interests

A. The Parties shall have the following Participating Interests under this Agreement:

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

The Participating Interests may be adjusted as provided herein, or as may otherwise be agreed by the Parties from time to time.

B. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create a mining or other partnership, joint venture, association or trust, or to authorize any Party to act as an agent, servant, or employee for any other Party.

6. Application Procedure

A. Operator shall hold a meeting of the Parties not less than sixty (60) days prior to the Application Date to formally present its final interpretation. Not less than forty-five (45) days prior to the Application Date, Operator shall hold a meeting

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whereby each Party shall decide whether to make an Application(s) covering all or any part of a Study Area and, if so, the Commercial Terms to be included in each Application. Each Party shall give notice to the Operator of its proposed Commercial Terms for each Application and other Minimum Material Provisions prior to or at such meeting. If the Parties cannot unanimously agree at such meeting upon the Commercial Terms to be included in an Application for a Bid Area, then the most competitive Commercial Terms proposed by a Party for such Bid Area shall be included in the said Application. Operator shall record all Commercial Terms and Minimum Material Provisions proposed and the Parties, confirmation of the most competitive set of Commercial Terms. Prior to the end of the meeting, each representative shall sign and be provided a copy of such record and it shall be deemed the final record of the Commercial Terms of the Parties.

- B. Each Party shall confirm by Notice to all Parties not less than thirty-five (35) days prior to the Application Date whether such Party wishes to participate in each Application or not. In such notice, each Party shall confirm all Commercial Terms to be included in an Application and such Party's Minimum Material Provisions relating to the Government Contract. If a Party fails to give such Notice it shall be deemed to have given Notice not to participate in such Application. A Party may participate in less than all of the Applications filed.
- C. If less than all the Parties elect to participate in an Application, each Participating Party shall notify the other Participating Parties that it is willing to bear a Participating Interest in such Application equal to:
 - (a) Only its Participating interest as stated in Article 5;
 - (b) A fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 5 and the denominator of which is the aggregate of the Participating Interests of the Participating Parties as stated in Article 5; or
 - (c) The total of its Participating Interest as contemplated by (b) above, plus all or any part of the difference between one hundred percent (100%) and the total of the Participating Interests subscribed by the other Participating Parties.

Any Participating Party failing to advise the other Participating Parties within the response period set out above shall be deemed to have elected to bear the Participating Interest set out in (b) above as to the Application.

If within the response period set out above, the Participating Parties subscribe less than one hundred percent (100%) of the Participating Interest in the Application,

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the Participating Parties shall meet to decide whether to proceed with the Application. If the Participating Parties elect not to proceed with the Application, Operator shall so notify all Parties and no Party shall submit an Application in regard to the Bid Area.

- D. If Operator elects to participate in all Applications, then it shall prepare and submit the Applications in a timely manner. If Operator elects not to participate in an Application or refuses to act in such capacity, then the Participating Parties shall choose, by a majority vote of the Participating Interests, one of the Participating Parties to act as Operator under the terms of this Agreement for the corresponding Bid Area.
- E. If less than all the Parties have decided to participate in an Application, then, in respect of such Application, the Participating Parties shall thereafter be entitled to show any bona fide prospective bidder, provided such prospective bidder agrees to be bound by and ratifies the terms and conditions of Articles 12 and 14 and after receipt of the unanimous agreement of the Participating Parties, any of the data relevant to the corresponding Bid Area. In respect of any part of the corresponding Bid Area, such Participating Parties may jointly submit an Application with such prospective bidder, provided that such bidder ratifies and adopts this Agreement to the extent of its participation in the corresponding Bid Area. All contacts involving such third parties shall be coordinated by Operator for such Bid Area.
- F. The Participating Parties, whether applying with a third party or not, shall not reduce the equivalent monetary value of the Commercial Terms to be included in such Application to an amount equivalent to or less than an amount previously proposed in writing by a non-Participating Party. If the value of the most competitive Commercial Terms is so reduced, then not less than fifteen (15) days before the Application Date, such Participating Parties shall give Notice to such non-Participating Party advising it of such reductions and giving it the right to participate. Such right may be exercised by such non-Participating Party giving Notice to each of the Participating Parties within five (5) days of receipt of such Notice. A non-Participating Party which fails to give such Notice shall be deemed to have waived its right to participate in such Application.

If a non-Participating Party timely exercises its right to participate in such Application, it shall be treated as if it had never withdrawn and its Participating Interest in such Application shall be the same as it would have been had such Party decided to participate in the Application originally. The other Parties and the third Party, if any, shall reduce their interest pro rata, unless otherwise agreed.

7. Applications and Contracts

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- A. If in the course of processing any Application, the Government requests the Participating Parties to revise the Commercial Terms offered under such Application, then the Participating Parties shall endeavor to agree unanimously on a response to the proposed revisions within the time frame allowed under the circumstances. If the Participating Parties are unable to so agree, then the Participating Party or Parties proposing the most competitive Commercial Terms may proceed with negotiations and the other Party or Parties who do not wish to accept such Commercial Terms shall withdraw from the Application.
- B. If any Application is successful, the Participating Parties thereto shall proceed to negotiate and, subject to the other terms hereof, execute a Government Contract. The Operator shall act as the lead negotiator for the Participating Parties group to secure a Government Contract. Operator shall promptly advise the other Participating Parties of upcoming meetings with the Government, consult with such Parties regarding strategy, and otherwise advise them of the progress of negotiations. Each of such Participating Parties shall be entitled to be present at and participate in any such negotiations with the Government. If a Government Contract is entered into, Operator shall be designated as Operator thereunder and under the corresponding Joint Operating Agreement.
- C. Operator, as lead negotiator, shall have no right to bind any other Party without such Party's prior written approval.

[] Optional Provision - Check if desired.

Notwithstanding the foregoing, each Participating Party shall be bound by and agree to execute a Government Contract containing the most competitive Commercial Terms and its Minimum Material Provisions as Noticed in Article 6 (B) above and which is otherwise substantially the same as the model Government Contract, if any. No Participating Party may withdraw from any Application in which such Party is participating or from this Agreement after an Application has been submitted to the Government.

- D. The Participating Parties shall endeavor to execute a Joint operating Agreement no later than _____ (_____) days after a Government Contract becomes effective.

8. Application and Negotiation Costs

The Application Costs shall be borne by the Participating Parties in proportion to their respective Participating Interests therein. Each Participating Party shall bear its own Negotiation Costs.

[] Optional Provision - Check it desired

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Notwithstanding the above, Negotiation Costs incurred by Operator shall be borne as follows:

Check one Alternative.

[] ALTERNATIVE NO. 1

Each Participating Party shall bear its Participating Interest share of Negotiation Costs incurred by Operator.

[] ALTERNATIVE NO. 2

Each Participating Party shall bear its Participating Interest Share of Negotiation Costs proposed by Operator and agreed to by all Participating Parties as set forth in Exhibit "B".

9. Invoicing

Operator shall bill each Party on or before the last day of each month for its Participating Interest share of the costs and expenses for the preceding month. Each invoice shall include a statement of all charges and credits summarized by appropriate classifications indicative of the nature thereof. Each Party shall pay its Participating Interest share of such costs and expenses incurred pursuant to this Agreement in full to the Party acting as Operator within fifteen (15) days following receipt of each invoice. If a Party disputes any such costs or expenses, such Party shall nevertheless remit its Participating Interest share of such costs and expenses and thereafter resolve such disputed invoices pursuant to the terms of this Agreement. All payments shall be in U.S. dollars. If any payments are for charges which have been made in foreign currency, the rates of exchange to be used shall be at the exchange rate received by Operator. The Parties intend that no Party shall gain or lose as a result of currency transactions.

10. Audit

Each Party, upon thirty (30) days advance written notice to all other Parties, shall have a right to audit all accounts and records of such Operator relating to the costs and expenses charged hereunder by such Operator for any calendar year provided that such right of audit is exercised within a period of twenty-four (24) months from the end of the calendar year to which the charges relate. Payments of any advances or billings shall not prejudice the right of any Party to protest or challenge the correctness thereof. All costs and expenses charged shall conclusively be presumed to be true and correct after such twenty-four (24) month period except for costs and expenses detailed in written exceptions received by Operator prior to the expiration of such period. All costs of the audit shall be borne by the Parties conducting the audit (the "Auditing Parties"). Where there are two or more Auditing Parties, such Auditing Parties shall make every

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reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to Operator.

11. Default

- A. If any Party (hereinafter referred to as the “Defaulting Party”) shall default in paying in full any amount due as and when required hereunder, Operator shall promptly give Notice of such default to such Party and each of the non-Defaulting Parties. The amount not paid by the Defaulting Party shall bear interest from the date due until paid in full at the Agreed Interest Rate.
- B. If such default continues for fifteen (15) days, Operator shall give Notice of the continuing default and then each non-Defaulting Party shall within five (5) Business Days after receipt of such Notice from the Operator pay the Operator its share of the amount which the Defaulting Party failed to pay. If any non-Defaulting Party fails to pay its share of the amount in default as aforesaid, such non-Defaulting Party shall thereupon be in default and deemed a Defaulting Party subject to the provisions of this Article. The non-Defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective share of the principal and interest payable by such Defaulting Party pursuant to the terms of this Agreement.
- C. If the Defaulting Party has failed to remedy its default within fifteen (15) days of Operator’s Notice of such default under Article 11 (A), such Defaulting Party shall be deemed to have elected to withdraw from this Agreement and any Application as of the date of its default, and its Participating Interest, together with the obligation to pay the amounts not paid, shall automatically vest in the non-Defaulting Parties in the proportion that each non-Defaulting Party’s Participating Interest bears to all the non-Defaulting Parties’ Participating Interests, unless agreed otherwise.
- D. Notwithstanding the forgoing, the amounts in default together with interest shall remain a debt due and owing to the non-Defaulting Parties and the Defaulting Party shall be liable for all acts, occurrences, omissions, obligations, and liabilities taking place or accrued, even if not yet known or billed to its Participating Interest. In addition, such Defaulting Party shall be liable for its Participating Interest share of the cost of the Work remaining to be completed under the approved budget in effect at the time of the default and any other expenditures budgeted and/or approved under this Agreement prior to the date of the default. If the default occurs after an Application has been submitted, then the Defaulting Party shall be further liable for its proportionate share of Negotiation Costs. The Defaulting Party shall take all steps necessary and appropriate to effect a transfer of its interest hereunder to the remaining Participating Parties.

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12. Undertaking

- A. Except as provided in this Agreement, each Party undertakes that neither it nor any of its Affiliates shall submit any bid covering lands within the Study Area either alone or with any third parties. No Party or any of its Affiliates shall enter into any other agreement prior to the Application Date with any entity or person pursuant to which such Party or Affiliate may acquire any interest in any Government Contract covering all or any part of the Study Area. Subject to acceptance by the other Parties and without prejudice to any other remedies which aggrieved Parties may have, if any Party or its Affiliates acquires such an interest in violation of this undertaking, such Party shall forthwith notify the other Parties and, upon request, assign or cause to be assigned on a pro rata basis all of the interest so acquired to the other Parties for the same consideration paid by such Party or its Affiliate to the entity from whom such interest was acquired.
- B. If this Agreement terminates or any Party withdraws or assigns or is deemed to have withdrawn or assigned an interest, the obligations under Article 12 (A) shall remain binding upon all Parties notwithstanding such termination, assignment, or withdrawal for a period of one (1) year after termination of this Agreement.

13. Withdrawal

- A. A Party shall be deemed to have withdrawn from this Agreement if it declines or is deemed to have declined to participate in all of the Applications.
- B. Subject to the other provisions of this Agreement, any Party may withdraw from this Agreement or any Application by giving Notice to that effect to the other Parties. A withdrawing Party shall remain liable for its Participating Interest share of all liabilities, costs, and expenses accrued or incurred up to the date of its Notice of withdrawal, plus any expenditures budgeted and/or approved under this Agreement prior to its written notice of withdrawal and any liability for acts, occurrences or circumstances taking place or existing prior to its withdrawal. After giving notice of its withdrawal, such withdrawing Party shall not be entitled to vote on any matters arising under this Agreement, other than those matters for which such Party has financial responsibility under the terms hereof.
- C. Upon a withdrawal or a deemed withdrawal, the withdrawing Party's Participating Interest shall be automatically assigned to the non-withdrawing Parties in the proportion that each non-withdrawing Party's Participating Interest bears to all the non-withdrawing Party's Participating Interests. A withdrawing Party shall be responsible for preparing at its cost, an appropriate instrument of assignment in respect of the transfer of its Participating Interest. The withdrawing Party must take all steps necessary and appropriate to effect a transfer of its interest hereunder to the remaining Participating Parties.

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- D. Except as provided above, a Party shall not have the right to withdraw from this Agreement.

14. Confidentiality

- A. All bid terms, data and information acquired, interpreted, developed or disclosed pursuant to this Agreement shall be held confidential by all Parties for a period of one (1) year from the termination of this Agreement. Notwithstanding the above, such information may be disclosed, on a confidential basis, to others who are not parties to this Agreement for the purpose of soliciting their participation in bidding pursuant to this Agreement, provided such other parties agree in writing prior to such disclosure not to compete against the Participating Parties in any Application for a Bid Area for a period of one (1) year from the termination of this Agreement and to maintain the confidentiality of the disclosed information for such period.
- B. Such information may also be disclosed to:
 - (1) employees, officers and directors of the Parties;
 - (2) employees, officers and directors of an Affiliate;
 - (3) any consultant or agent retained by the Parties for the purpose of evaluating the confidential information.

Prior to making any such disclosures to persons under subparagraphs (2) and (3) above, however, the Party delivering such information shall obtain a written undertaking of confidentiality and non-competition in favor of all Parties, from each such person and shall promptly advise the other Parties of the disclosure.

- C. Notwithstanding the above, such information may be disclosed if it is or becomes part of the public domain or is required to be disclosed under applicable law or as required by any stock exchange to which the disclosing Party is a member or by a government order, decree, regulation, or rule.

15. Press Releases

- A. Operator shall be responsible for the preparation and release of all press releases and public statements regarding this Agreement and matters arising in relation to this Agreement; provided that no public announcement or statement may be made until all Parties have been furnished with a copy of such statement and the approval of at least two (2) non-Affiliated Parties holding fifty percent (50%) or more of the Participating Interests has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to

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or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Operator is authorized to issue and make such announcements without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

- B. If any Party wishes to issue any public announcement or statement regarding this Agreement, it shall not do so unless prior to its release, such Party furnishes all the Parties with a copy of such statement or announcement and obtains the written prior approval of at least two (2) non-Affiliated Parties holding at least fifty percent (50%) of the Participating Interests; provided that, notwithstanding the failure to secure such approvals, no Party shall be prohibited from making any public statements if it is necessary to do so in order to comply with the applicable laws, rules, or regulations of any government, legal proceedings, or stock exchange having jurisdiction over such Party.

16. Assignment

- A. Except as otherwise provided in this Agreement, no Party may assign all or any part of its Participating Interest in this Agreement or in any Application without the prior written consent of the other Parties to this Agreement or such Application, as the case may be, except that a Party may assign all or any part of its Participating Interest to an Affiliate on giving prior Notice to the other Parties and agreeing to remain liable for all obligations arising under this Agreement.
- B. Any assignment to a third party which assumes the duties and obligations of its assignor hereunder shall relieve or release the assignor from such duties and obligations accruing subsequent to the date of such assignment and the assignor shall not be deemed as a guarantor of, or be secondarily liable for, the duties and obligations of its assignee.

17. Termination

- A. This Agreement shall take effect on the Effective Date and shall terminate forthwith upon the first to occur of any of the following events:
 - (1) if all Applications are either rejected by the Government or result in a Government Contract; or
 - (2) if all Parties elect to withdraw; or
 - (3) if all Parties refuse to submit any Applications.
- B. Termination of this Agreement shall be without prejudice to the rights and obligations of the Parties existing as at the date of termination.

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- C. Notwithstanding termination of this Agreement, each Party shall remain bound by the provisions of Article 12 and 14.

18. Non-Waiver

Any Party's failure to require performance by any other Party of any provision of this Agreement shall not be construed as waiving any subsequent breach of such provision.

19. Notices

All Notices authorized or required between the Parties shall be addressed and effective when delivered to such persons as designated below. Each Party shall have the right to change its address at any time and/or designate that copies of all such Notices be directed to another person at another address, by giving Notice thereof to all other Parties.

Attention: _____
Telecopy: _____
Telex: _____
Answerback Code: _____

Attention: _____
Telecopy: _____
Telex: _____
Answerback Code: _____

Attention: _____
Telecopy: _____
Telex: _____
Answerback Code: _____

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Attention: _____
Telecopy: _____
Telex: _____
Answerback Code: _____

20. Applicable Law and Dispute Resolution

- A. This Agreement shall be governed by, construed, interpreted and enforced in accordance with the substantive laws of _____, to the exclusion of any conflicts of law rules which would refer the matter to the laws of another jurisdiction.

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Check one Alternative.

[] ALTERNATIVE NO. 1 - Courts

- B. Each Party submits to the exclusive jurisdiction of the courts of _____, _____ (or if jurisdiction is not granted by such court, to another court having jurisdiction) for the purpose of finally resolving any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the construction, validity, interpretation, enforceability or breach of this Agreement. Each Party irrevocably designates, appoints and empowers the agent specified below to receive on its behalf service of any and all process in any legal action or proceeding which may be instituted in the courts of _____, _____ in connection with any such dispute, controversy or claim:

A Party's submission to the jurisdiction of the courts of _____, _____ in accordance with the foregoing shall not limit the right of such Party to institute any legal action or proceeding for the enforcement of any order or judgment of such courts in any other court having jurisdiction.

[] ALTERNATIVE NO. 2 - Arbitration

- B. Any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the construction, validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration, and any Party may submit such a dispute, controversy or claim to arbitration.

Check one Alternative.

[] ALTERNATIVE NO. 1

- C. A single arbitrator shall be appointed by unanimous consent of the Parties. If the Parties, however, cannot reach agreement on an arbitrator within

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_____ (_____) days of the submission of a Notice of arbitration, the appointing authority for the implementation of such procedure shall be the _____, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. If _____ refuses or fails to act as the appointing authority within ninety (90) days after being requested to do so, then the appointing authority shall be _____, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim.

[] ALTERNATIVE NO. 2

- C. The arbitration shall be heard and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within _____ (_____) days of the submission of a Notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within _____ (_____) days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or one Party fails or refuses to appoint its Party-appointed arbitrator within the prescribed period, the appointing authority for the implementation of such procedure shall be the _____, who shall appoint [an] independent arbitrator(s) who does not have any financial interest in the dispute, controversy or claim. If _____ refuses or fails to act as the appointing authority within ninety (90) days after being requested to do so, then the appointing authority shall be _____, who shall appoint [an] independent arbitrator(s) who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.
- D. Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:
- (1) The arbitration proceedings shall be held in _____, _____;
 - (2) The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;
 - (3) The arbitrator (s) shall be and remain at all times wholly independent and impartial;

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- (4) The arbitration proceedings shall be conducted in accordance with the Arbitration Rules of _____, in effect on the Effective Date.
- (5) Any procedural issues not determined under the arbitral rules selected pursuant to this Agreement shall be determined by the law of the place of arbitration, other than those laws which would refer the matter to another jurisdiction;
- (6) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrator(s);
- (7) The decision of the sole arbitrator or a majority of the arbitrators, as the case may be, shall be reduced to writing; final and binding without the right of appeal; the sole and exclusive remedy regarding any claims, counterclaims, issues or accounting presented to the arbitrator; made and promptly paid in U.S. dollars free of any deduction or offset; and any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law, be charged against the Party resisting such enforcement;
- (8) Consequential, punitive or other similar damages shall not be allowed; provided, however, the award may include appropriate punitive damages where a Party has engaged in delaying and dilatory actions;
- (9) The award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate;
- (10) Judgment upon the award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be; and
- (11) Whenever the Parties are of more than one nationality, the single arbitrator or the presiding arbitrator, as the case may be, shall not be of the same nationality as any of the Parties or their ultimate parent entities.

[] Optional Provision – Check if desired.

21. Warranties as to no payments, gifts, and loans

Each Party shall conduct all of its activities pursuant to this Agreement in compliance with all laws, rules, and regulations applicable to such Party. Each of the Parties warrants that it has not made and will not make, with respect to the matters provided for

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hereunder, any payments, loans, gifts, or promises of payments, loans or gifts, directly or indirectly to or for the use or benefit of any official or employee of the Government or the Government Oil Company or to or for the use of any political party, official, or candidate or to any other person if such Party knows or should have known or has/had reason suspect that any part of such payment, loan, or gift or promise or offer, would violate the laws or regulations of the _____. Each Party shall respond promptly, and in reasonable detail, to any Notice from any other Party or its auditors pertaining to the above stated warranty and representation and shall furnish documentary support for such response upon request from such other Party.

22. Counterpart

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided no Party shall be bound by the terms of this Agreement unless and until all Parties have executed a counterpart. For purposes of assembling all counterparts into one document, Operator is authorized to detach the signature page from one or more counterparts and, after signature thereof by the respective Party, attach each signed signature page to a counterpart.

23. Entirety

This Agreement is the entire agreement of the Parties and supersedes all prior understandings and negotiations of the Parties.

WITNESS the hand of the duly authorized representative of the Parties.

_____	_____ (Company Name)
	By: _____ _____ (Print or type name)
	Title: _____
	Date: _____

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(Company Name)

By: _____

(Print or type name)

Title: _____

Date: _____

(Company Name)

By: _____

(Print or type name)

Title: _____

Date: _____

(Company Name)

By: _____

(Print or type name)

Title: _____

Date: _____

EXPLORATION AGREEMENT

by and between

ABC OIL COMPANY

and

XYZ OIL COMPANY

dated

EXPLORATION AGREEMENT

THIS AGREEMENT Is entered into and made effective the _____ day of _____, 199____, by and between ABC OIL COMPANY (“ABC”) and XYZ OIL COMPANY (“XYZ”). ABC and XYZ are each a “Party” and are collectively the “Parties”.

WHEREAS, ABC and XYZ desire to enter into an agreement whereby XYZ will earn an interest in (i) _____

and (ii) the Contract Area, as hereinafter identified; and

WHEREAS, ABC and XYZ desire to explore, develop, produce and operate the Contract Area; and

WHEREAS, ABC and XYZ desire to provide for the terms and conditions pursuant to which XYZ may earn an interest in the _____ and the Contract Area and pursuant to which the Contract Area will be explored, developed, produced and operated, and to define their respective rights and obligations in respect thereto.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and obligations herein contained, ABC and XYZ agree as follows:

I.

DEFINITIONS

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

- a) Affiliate. As to either ABC or XYZ, a company or entity directly or indirectly controlled by that Party, a company or entity which directly or indirectly controls that Party, or a company or entity directly or indirectly controlled by a company or entity which directly or indirectly controls that Party. A company or entity shall be considered as controlled by another company or entity if the latter owns, directly or indirectly, more than fifty percent (50%) of the voting rights of the former.

- b) ABC's Interest. The interest owned by ABC in the _____ and the Contract Area at the time of execution of this Agreement.
- c) Commitment Well. The initial test well to be drilled by ABC and XYZ on the Contract Area, in which initial test well XYZ is obligated to participate as provided in this Agreement.
- d) Decision Point. That point when the Commitment Well has been drilled to its proposed depth, including the setting of intermediate casing, if necessary, and adequate logging, coring and/or testing have been conducted to enable the Parties to determine, in accordance with the JOA, whether to set pipe and attempt a completion or to conduct further drilling or sidetracking operations or to plug and abandon the well.
- e) Earning Point. The point when Decision Point has been reached and either the plugging and abandoning operation, including surface restoration and reclamation, or the completion operation, as the case may be, on the well is completed.
- f) Impenetrable Conditions. Heaving shale, excessive pressure or water flow or other substances, conditions or mechanical difficulty which, in accordance with good industry practices, renders further drilling impracticable.
- g) JOA. The Joint Operating Agreement to be executed by ABC and XYZ subsequent to the execution of this Agreement, and which will govern operations on the Contract Area, subsequent to its execution.
- h) Substitute Well. A well drilled as a substitute for the Commitment Well if such well is abandoned prior to Decision Point due to Impenetrable Conditions. A Substitute Well shall be deemed to be the well for which it is a substitute.

II.

CONTRACT AREA

The Contract Area, as of the time of execution of this Agreement, is shown and identified on Exhibit "A" attached hereto and made a part hereof. The Contract Area may change from time to time pursuant to the _____.

III.

CASH CONSIDERATION

XYZ shall reimburse ABC for _____ percent (____%) of the costs incurred by ABC and its Affiliates in relation to the Contract Area. Such amounts shall include the actual and direct costs and expenses, as well as associated charges and overhead of the types enumerated in Article XI C, incurred by ABC and its Affiliates in relation to the Contract Area prior to the execution of this Agreement. Upon execution of this Agreement, XYZ shall pay to ABC an amount of money equal to Dollars (\$_____) by wire transfer at ABC's directions.

IV.

ASSIGNMENT OF INTEREST

Upon execution of this Agreement, the Parties will request from [MINISTER] written consent for ABC to assign part of its interest in the _____ and the Contract Area to XYZ. Upon receipt of such written consent, and upon notification to ABC that XYZ has been qualified to do business in _____ (if necessary), subject to reassignment as provided below, ABC shall deliver to XYZ, and ABC and XYZ shall execute an Assignment, substantially in the form of Exhibit "B" attached hereto and made a part hereof, of an undivided _____ percent (____%) of ABC's interest in and to the _____ and the Contract Area. Except as otherwise provided in this Agreement and the JOA, following execution of said Assignment ABC and XYZ shall comprise "Contractor" under the _____. As soon as practicable after execution of this Agreement, ABC and XYZ shall execute a JOA, substantially in the form of Exhibit "C" attached hereto and made a part hereof. All operations on the Contract Area shall be conducted in accordance with the JOA unless otherwise provided by this Agreement. At such time as Earning Point has occurred, XYZ shall have earned and be entitled to retain its undivided _____ percent (____%) of ABC's interest in and to the _____ and the Contract Area. If for any reason Earning Point does not occur, XYZ shall reassign to ABC the undivided _____ percent (____%) of _____ interest in and to the _____ and the Contract Area, and XYZ shall no longer comprise a part of "Contractor" under the _____ nor have any interest in the Contract Area or under the JOA. In such event, XYZ shall not be entitled to the return of any sums of money paid or reimbursed to ABC under this Agreement or the JOA, except in the case where [MINISTER] does not approve the assignment contemplated hereunder. If [MINISTER] does not approve the assignment contemplated hereunder, ABC shall return any sums of money paid to ABC under this Agreement.

V.

COMMITMENT WELL

On or before _____, 19____, ABC as Operator under this Agreement and the JOA, shall commence, or cause to be commenced, the drilling of the Commitment Well at a location to be selected by ABC. The Commitment Well shall be drilled to a depth of _____, to a depth sufficient to test the formation, or to basement, whichever is the lesser depth. Upon reaching Decision Point, a decision shall be made, in accordance with the JOA, as to the subsequent operation to be conducted in the Commitment Well.

In the event that during the drilling of the Commitment Well, but prior to Decision Point, Impenetrable Conditions are encountered and the well is abandoned, ABC shall have the option, but not the obligation, to drill a Substitute Well for the abandoned Commitment Well. Likewise, if Impenetrable Conditions are encountered in a Substitute Well prior to Decision Point and the well is abandoned, ABC shall have the option, but not the obligation, to drill a Substitute Well for the Substitute Well. XYZ is obligated to participate in each Substitute Well as it would the Commitment Well. An operation to sidetrack a Commitment Well in order to avoid Impenetrable Conditions, after the Impenetrable Conditions have been encountered in said well, shall be deemed a Substitute Well.

_____ percent (____%) of the cost, risk and expense incurred in, or associated with, drilling, logging, testing and evaluating the Commitment Well or its Substitute Well to Decision Point and that portion of the cost, risk and expense of mobilization and demobilization of the drilling rig and associated activities, personnel, materials, equipment and supplies which is allocated to the Commitment Well, shall be borne and paid by XYZ. At Decision Point, the Parties will determine, in accordance with the JOA, the subsequent operation to be conducted. If the decision made at Decision Point is to attempt completion or to plug and abandon the Commitment Well or its Substitute Well (including surface restoration and reclamation), _____ percent (____%) of the cost, risk and expense incurred in, or associated with such subsequent operation shall be borne and paid by XYZ. Subject to each Party's right under the JOA not to participate, if the decision made at Decision Point in the Commitment Well or its Substitute Well is to deepen or sidetrack the well, _____ percent (____%) of the cost, risk and expense incurred or associated with, such subsequent operation shall be borne and paid by XYZ. If a decision is made prior to Decision Point in the Commitment Well or its Substitute Well to attempt completion or to plug and abandon the well (including surface restoration and reclamation) for reasons other than the encountering of Impenetrable Conditions, Decision Point shall be deemed to have been reached and _____ percent (____%) of the cost, risk and expense incurred therein, or associated therewith, shall be borne and paid by XYZ. If a decision is made prior to Decision Point in the Commitment Well or its Substitute Well to conduct sidetracking operations for reasons other than the encountering of Impenetrable Conditions, Decision Point shall be deemed to have been reached and, subject to each Party's right under the JOA not to participate, _____ percent (____%) of the cost, risk and expense incurred therein, or associated therewith, shall be borne and paid by XYZ.

That portion of the items listed in Article XI C which is allocated to the Commitment Well or its Substitute Well shall be treated as a cost and expense incurred in, or associated with, conducting operations in the Commitment Well or its Substitute Well, as shall any costs and

expenses of winding-up operations which are associated with α allocated to the Commitment Well or its Substitute Well.

VI.

FORCE MAJEURE

Failure of a Party to carry out its obligations, other than to make payment when due, in accordance with the terms of this Agreement shall not give rise to liability to the other Party insofar as such Party's performance is hindered or prevented by force majeure. For purposes of this Agreement, a "force majeure" means causes or events which are beyond the reasonable control of the Party claiming force majeure, which could not have been avoided or prevented by the Party's reasonable foresight, planning and implementation and which cause the Party's performance to be hindered or prevented. Such causes and events shall include, without limitation, acts of God, wars, civil disturbances, strikes and any governmental action, law, regulation or order.

The Party claiming force majeure shall promptly give written notice to that effect to the other Party stating in reasonable detail the circumstances underlying the force majeure. The Party claiming force majeure shall diligently use all reasonable effort to remove the cause or event of force majeure, shall promptly give written notice to the other Party of the termination of the force majeure, and shall resume performance of any suspended obligations as soon as reasonably possible after termination of the force majeure.

VII.

DATA

Within _____ (____) days after execution of this Agreement ABC shall provide XYZ with one film and one paper copy of all geophysical data and geological data corresponding to the Contract Area which it has the right to disclose and transfer. As to all such data ABC does not have the right to transfer, XYZ shall have the right to review and work such data in the office of ABC subsequent to execution of this Agreement. XYZ shall provide ABC with seven (7) days advance notice of the data to be reviewed and the persons to be given access to such data.

XYZ shall bear the cost of any reproduction necessary for providing data to XYZ. ABC shall provide XYZ with an invoice for such reproduction costs and XYZ shall pay undisputed amounts on such invoice within thirty (30) days of receipt.

VIII.

CONFIDENTIALITY

The JOA will impose an obligation of confidentiality in regard to data and information obtained in operations conducted pursuant to the JOA. Additionally, ABC and XYZ have executed a Confidentiality Agreement dated _____, 19____ covering the Contract Area. The obligations imposed by said Confidentiality Agreement shall remain in force until the JOA is executed at which time the obligation of confidentiality imposed by the JOA shall govern.

IX.

REPRESENTATIONS AND WARRANTIES

ABC represents that:

- (a) To the best of ABC's knowledge, the _____ is in full force and effect;
- (b) To the best of ABC's knowledge, it has fully complied with the terms and provisions of all contracts, agreements and commitments pertaining to the _____ and the Contract Area and all laws, rules, regulations and orders of all applicable governmental agencies;
- (c) The _____ and the Contract Area are free and clear of all burdens created by ABC, other than those which are contained in the _____ or of which ABC has provided XYZ written notice;
- (d) ABC has not transferred or assigned nor entered into any commitment to transfer or assign any or all of the ABC interest; and
- (e) To the best of ABC's knowledge, there are not any disputes or legal proceedings relating to the _____, or any legal proceedings involving third parties arising out of or in connection with activities undertaken by ABC under the _____.

ABC makes no warranty as to title to the _____ and the Contract Area and XYZ acknowledges that no representations or warranties as to title have been made. The Assignment made hereunder to XYZ shall be made without warranty of title.

ABC makes no representations or warranties whatsoever as to the accuracy, completeness or usefulness of any data provided to XYZ, nor as to the hydrocarbon potential of the Contract Area, the ability to transport and/or sell hydrocarbons, or the price to be received for hydrocarbon sales. XYZ acknowledges that no such representations or warranties have been

made and that it has relied solely on its own independent evaluation in entering into this Agreement.

ABC represents and warrants that it has the legal power to enter into and perform its obligations under this Agreement, and that the consummation of the transactions contemplated by this Agreement will not violate any provision of its charter or by-laws or result in the breach of, or constitute default under, any provision of any agreement or instrument to which ABC is a party or is bound. This authority is subject only to the obtaining of any necessary consents and/or government approvals. If necessary government approvals are not obtained, this Agreement shall terminate and cease to have force and effect.

XYZ represents and warrants that it has the legal power to enter into and perform its obligations under this Agreement, and that the consummation of the transactions contemplated by this Agreement will not violate any provision of its charter or by-laws or result in the breach of, or constitute default under, any provision of any agreement or instrument to which XYZ is a party or is bound. This authority is subject only to the obtaining of any necessary consents and/or government approvals. If necessary government approvals are not obtained, this Agreement shall terminate and cease to have force and effect.

X.

NOTICES

Any notice or other communication required to be given pursuant to this Agreement shall be in writing and may be given by delivering same by hand at, or by sending the same by prepaid first class post, telex, telegram, telefax or cable to the relevant address set forth below or such other address as each Party may notify to the other Party from time to time. Such notice or communication shall be deemed to have been given upon receipt by the addressee.

ABC OIL COMPANY

XYZ OIL COMPANY

Attn: _____

Attn: _____

Fax: _____

Fax: _____

Telex: _____

Telex: _____

XI.

JOINT OPERATION

A. VOTING

For purposes of this Agreement, ABC shall have a voting interest of _____ percent (____%). and XYZ shall have a voting interest of _____ percent (____%). Unless otherwise stated herein, decisions to be made pursuant to this Agreement shall be made by one (1) or more Parties having an aggregate voting interest greater than _____ percent (____%). Voting may take place at meetings or by letter, telex or telecopier.

B. CASH ADVANCES AND BILLINGS

At ABC's request, XYZ shall pay to ABC its proportionate share of the cash requirements for the next succeeding month's operations under this Agreement. The cash call submitted by ABC shall contain an estimate of expenditures by accounting classification in such detail as will permit identification of each item in the estimate with the applicable Authority for Expenditure ("AFE"). The cash call shall also contain in respect of each advance, the currency required, the bank account to which payment is to be made and the due date on which payment is required, provided, however, that XYZ shall have at least thirty (30) days notice of the due date for each advance and the due date shall not be sooner than the first day of the month for which such advance is required. Typically, cash calls shall be made in U.S. Dollars. However, if payments are required to be made in a currency other than U.S. Dollars, ABC may make cash calls in such other currency or may purchase the required amount of such covering other currency with U.S. Dollars.

Should ABC be required to pay large sums of money on behalf of operations under this Agreement, or in an emergency, which were unforeseen at the time of making said monthly cash call, ABC may make a written, telexed or telecopied cash call covering XYZ's share of such payments. XYZ shall make its proportional advance pursuant to such cash call within fifteen (15) days after receipt thereof.

If XYZ's total advances for all currencies exceed its share of actual expenditures, the next succeeding cash call after such determination shall be reduced accordingly.

If XYZ's advances are less than its share of actual expenditures, the deficiency shall, at ABC's option, be added to subsequent cash calls or be paid by XYZ's within thirty (30) days following the receipt of ABC's billing to XYZ for such deficiency.

If ABC does not make a cash call, shall pay its share of actual expenditures within thirty (30) days following the date of ABC's billing.

Payments of advances or billings shall be made on or before the due date, and if not made within thirty (30) days after the due date, late amounts shall bear interest after the due date until

paid, at a rate equal to the lesser of the London Interbank Offered Rate (LIBOR) plus three percent (3%) or the highest rate permitted by applicable law, on the day payment is made.

The amount, if any, cash-called or billed before the approval of [MINISTER] provided under Article IV of this Agreement, shall be paid no later than thirty (30) days after such approval is received.

C. COSTS AND EXPENSES

To the extent not provided otherwise in this Agreement, the following items shall be for the joint account of ABC and XYZ. Each Party shall bear its undivided percentage interest of such items.

(a) Personnel

- (i) Salaries and wages of personnel assigned to or engaged in operations under the _____ on a permanent or full-time basis, and a proportionate share of salaries and wages of personnel assigned to or engaged in such operations on a temporary or part-time basis.
- (ii) Costs and expenses incurred in respect of living and housing allowances, holiday, sickness, vacation and disability benefits, bonuses, overtime, severance pay and other allowances applicable to salaries and wages of such personnel, whether located inside or outside of _____, in accordance with ABC's usual practices.
- (iii) Costs and expenses incurred in respect of established plans and policies for personnel group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, tax equalization and other benefits of a like nature.
- (iv) Severance pay, in the case of _____ employees, charged at a fixed rate applied to payrolls which will equal an amount equivalent to the maximum liability for severance payments as required under the labor law of _____.
- (v) Obligations imposed by governmental authority which are applicable to costs of salaries and wages.

(b) Services

- (i) Costs and expenses incurred in respect of consultants, contract services and utilities procured from third parties directly for the benefit of operations under the _____.
- (ii) Costs and expenses incurred in respect of services performed by ABC or an Affiliate for specific projects in facilities inside or outside _____

directly for the benefit of operations under the _____.
Use of ABC's or an Affiliate's wholly owned equipment shall be charged at a rental rate commensurate with the costs and expenses of ownership and operation, but not in excess of competitive rates, if performed by outside technical service companies.

(c) Legal Expense

Costs and expenses incurred in respect of litigation, or legal services otherwise necessary or desirable in respect of the Contract Area, including attorney's fees and expenses, together with judgments obtained against the Parties or any of them in respect of operations under this Agreement, and costs and expenses incurred by any Party or Parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against operations under the _____ or the subject matter of the _____.

(d) Rights-of-way and Rights to Use Lands

Costs and expenses incurred in respect of the acquisition, renewal or relinquishment of rights-of-way and other rights to use lands within _____ for the direct benefit of the _____.

(e) Material

Costs and expenses incurred in respect of material, equipment and supplies purchased or furnished by ABC.

(i) Purchased Materials

Material, equipment and supplies purchased shall be charged at the price paid by ABC after deduction of discounts actually received.

(ii) Material Furnished by ABC or an Affiliate

Material shall be purchased directly whenever practicable, except that ABC may furnish such material from its stocks or the stocks of an Affiliate, provided that the cost of such item shall not exceed the cost of a similar item available from third parties under similar conditions of issuance and delivery.

(iii) Warranty of Materials Furnished by ABC

ABC does not warrant the material furnished, and in case of defective material, credit shall not be recorded until adjustment has been received by ABC from manufacturers or their agents.

(f) Offices, Camps, Warehouses, Miscellaneous Facilities.

Costs and expenses incurred in respect of maintaining, equipping, furnishing and operating any facilities including offices, sub-offices, camps, shore bases, warehouses, communication systems, water systems, and road or other transportation systems directly serving the operations under the _____. If such facilities serve operations in addition to under the _____, the costs shall be allocated to the operations served on an equitable basis.

(g) Insurance and Claims

Costs and expenses incurred in respect of insurance, including public liability, property damage, political risk and other insurance, carried by ABC for all Parties when agreed or required by applicable law. The proceeds of any such insurance or claim collected shall be credited against costs and expenses. If a particular risk has been self-insured by ABC for all Parties, costs and expenses incurred in respect of settlement of losses, claims, damages, and judgments shall be charged as costs and expenses hereunder.

(h) Damages and Losses

Costs and expenses incurred in respect of damages or losses caused by fire, flood, storm, theft, accident or any other cause; provided, however, that ABC shall furnish written notice of damages or losses incurred in excess of Fifty Thousand U.S. Dollars (\$50,000) per occurrence, as soon as practicable after report of the same has been received by ABC.

(i) Exchange Gains and Losses

Exchange losses incurred in operations under the _____. Exchange gains shall be credited against costs and expenses.

(j) Transportation

Costs and expenses incurred in respect of transportation of personnel, equipment, materials and supplies. Personnel transportation costs and expenses to the extent covered by established policy of ABC will include travel costs and expenses for personnel and their families to and from the point of origin at the time of assignment, at time of separation and for vacations, and traveling costs and expenses for personnel and their families incurred as a result of transfer from one location to another, except that traveling costs and expenses for personnel and their families incurred as a result of a transfer from a location in _____ for the _____ to a location other than the point of origin or _____ U.S.A. shall not be included.

(k) Other Costs

Costs and expenses, other than those which are specifically dealt with herein, incurred in respect of operations under the _____, or resulting from compliance with requirements of the _____.

(1) Parent Company Overhead

An administrative overhead charge for services and related costs of personnel performing administrative, legal, accounting, treasury, tax, employee relations, computer services and other functions that are performed outside of _____ for the benefit of operations under the _____. The amount to be allocated to such costs and expenses shall be the sum of:

- (a) Five percent (5%) of the costs and expenses incurred in operations under the _____ during the calendar year, up to Two Million U.S. Dollars (U.S. \$2,000,000);
- (b) Four percent (4%) of the costs and expenses incurred in operations under the _____ during the calendar year, in excess of Two Million U.S. Dollars (U.S. \$2,000,000) up to Four Million U.S. Dollars (U.S. \$4,000,000);
- (c) Three percent (3%) of the costs and expenses incurred in operations under the _____ during the calendar year, in excess of Four Million U.S. Dollars (U.S. \$4,000,000) up to Five Million U.S. Dollars (U.S. \$5,000,000); plus
- (d) Two percent (2%) of the costs and expenses incurred in operations under the _____ during the calendar year, in excess of Five Million U.S. Dollars (U.S. \$5,000,000); but shall not be less than One Hundred Thousand U.S. Dollars (U.S. \$100,000) in any calendar year.

This does not preclude charging for personnel and services under (a) and (b) (ii).

- (m) Payments due and payable under the terms of the _____, any document or instrument required thereby or any applicable law, rule or regulation, on or after the date of execution of this Agreement. ABC shall make reasonable efforts to make such payments when due for the account of ABC and XYZ.

XII.

GENERAL

Payments

Payments due and payable under the terms of the _____ on or after the date of execution of this Agreement shall be borne and paid _____ percent (____%) by ABC and _____ percent (____%) by XYZ, unless otherwise provided in this Agreement or the JOA. ABC shall make reasonable efforts to make such payments when due for the account of ABC and XYZ and shall either invoice or cash-call XYZ for its proportionate share.

Media Releases

- (a) Media releases regarding operations conducted pursuant to the JOA shall be governed by the terms of the JOA.
- (b) Any media release by ABC or XYZ regarding this Agreement shall be approved by the other Party prior to release, which approval shall not be unreasonably withheld.

Government Filings

ABC and XYZ shall prepare and submit any and all filings in relation to this Agreement required of such Party by any governmental agency having jurisdiction. Each Party shall in a timely fashion provide the other with copies of all such filings by the Party.

Further Assurance

ABC and XYZ shall execute, acknowledge and deliver such other instruments or documents and shall take such other actions as may be necessary to carry out their respective obligations under this Agreement or to consummate the transactions contemplated by this Agreement.

Governing Law

- (a) This Agreement shall be governed by and interpreted according to the laws of the State of Texas, U.S.A., without reference or regard to such state's rules or procedures regarding conflict of laws, as if all acts to be performed hereunder were performed within the State of Texas.
- (b) Any legal action taken or proceeding arising out of or relating to this Agreement shall be brought exclusively in a court of appropriate jurisdiction (state or federal) in _____ County, State of _____, U.S.A. ABC and XYZ irrevocably submit to the exclusive jurisdiction of such court.

Relationship of the Parties

The liabilities of ABC and XYZ shall be individual and not joint or collective. ABC and XYZ shall each be responsible for its respective duties and obligations and its respective share of costs, risks and expenses incurred pursuant to this Agreement and the JOA. It is not the intent of ABC and XYZ for this Agreement to create a partnership, joint venture or mining partnership, and no act by either ABC or XYZ will operate to create such a relationship, nor will any of the provisions of this Agreement be construed or implied as creating such a relationship. The Parties agree to elect to be excluded from partnership treatment under the provisions of Subchapter K of the United States Internal Revenue Code. This election shall not have the effect of submitting to the jurisdiction of United States taxing authorities any Party not already subject to such jurisdiction.

Liabilities of the Parties

Until Earning Point occurs, _____ percent (____%) of any and all liabilities incurred in, or associated with, operations hereunder shall be borne and paid by XYZ, WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF, INCLUDING BUT NOT LIMITED TO NEGLIGENT ACTS OR OMISSIONS OF ABC.

Assignment

The rights, duties and obligations of XYZ under this Agreement shall not be assigned in whole or in part without the prior written consent of ABC; provided, however, that without such prior written consent, XYZ may assign its rights, duties and obligations under this Agreement to an Affiliate.

Amendment

No amendment to this Agreement shall be valid unless it is in writing, signed by both ABC and XYZ.

Severability

If any provision of this Agreement, or the application thereof to any particular circumstance, is held or deemed invalid, the remaining provisions of this Agreement, and the application of the provisions to circumstances other than those as to which it has been held or deemed to be invalid, shall not be affected by the invalidity.

Waiver

The failure of either ABC or XYZ to insist upon strict performance of a provision of this Agreement, irrespective of the length of time for which the failure continues, shall not constitute a waiver of that Party's right to demand strict compliance thereafter. No consent or waiver, express or implied, to or of any breach or default in the performance of any provision of this Agreement shall constitute a consent to or waiver of any other breach or default, whether of a like or different character.

Inurement

This Agreement shall be binding upon and inure to the benefit of ABC and XYZ their respective successors and permitted assigns.

Prior Agreements

Except as otherwise specified herein, this Agreement shall supersede and replace any and all prior agreements, oral or written, between ABC and XYZ relating to the subject matter of this Agreement.

Entire Agreement

This Agreement (including all exhibits attached hereto and made a part hereof) states and comprises the entire agreement between ABC and XYZ relating to the subject matter of this Agreement.

Headings

Headings are used for reference purposes only and do not constitute a part of this Agreement, nor are they interpretative thereof.

Generally Accepted Industry Practice

For situations where no provision has been made in this Agreement, generally accepted practices of the international petroleum industry shall apply.

IN WITNESS WHEREOF, ABC and XYZ have executed this Agreement as of the date first above written.

ABC OIL COMPANY

XYZ OIL COMPANY

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

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EXHIBIT “A”
CONTRACT AREA

SALE AND PURCHASE AGREEMENT

THIS AGREEMENT is made the ____ day of _____, ____.

BETWEEN:

1. _____ (“Buyer”); and
2. _____, “Seller”).

WHEREAS:

The Seller wishes to sell and Buyer wishes to purchase Seller’s undivided interest _____, all under the terms of this Agreement; and

The Board of Directors of the Seller and Buyer, and that of their respective parent companies, _____, have adopted resolutions approving the sale and purchase of the Assets on the terms and conditions of this Agreement and authorizing the execution of this Agreement and all Further Documents and all other documents contemplated hereby, and copies of such resolutions each certified as a true copy and in full force and effect by the secretary or an assistant secretary of each Company have been exchanged.

NOW THEREFORE IT IS HEREBY AGREED as follows:

1. Definitions,

- 1.1 In this Agreement, including its recitals and schedules, the following expressions shall, except where expressly stated otherwise, have the following respective meanings:

“Accruals Basis” means that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the cost is incurred or the rights to the benefits arise regardless of when invoiced, paid or received;

“Affiliate” means in relation to any Party, any company or other entity which controls or is controlled by that Party or is controlled by a company or other entity, which controls that Party. “Control” means the right to exercise, directly or indirectly, more than 50% of the voting rights of a company or other entity;

“Assets” means Seller’s undivided interest in and under _____, including, without limitation, all equipment, materials, Production Facilities and associated records and data and the burden of all corresponding obligations and

liabilities attaching to such interests, including the corresponding rights and interests in and under the Data Room Documents, such Assets being more fully described in Schedule 1 attached hereto;

“Business Day” means a day other than Saturday or Sunday on which banks are or, as the context may require, were generally open for business in both the City of _____ and _____;

“Completion” means the completion of the sale and purchase of the Assets as provided for in Clause 7;

“Completion Date” means the date on which Completion actually occurs;

“Co-Venturers” means the persons (and their respective successors and assigns) other than Seller having undivided interests in the [Production Sharing Agreements/Licenses] and in all agreements, instruments and documents related to the [Production Sharing Agreements/Licenses], including for the avoidance of doubt the Operating Agreements;

“Data” means all accounts, books and data relating to the Assets including, without prejudice to the generality of the foregoing cash calls, billing statements, reconciliation statements, contracts, correspondence, information, data and reports (including petroleum engineering, reservoir engineering, drilling, geological, geophysical and all other kinds of technical data and reports, samples, well-logs and analyses in whatever form the same are maintained) together with traded data other than the Traded Data;

“Data Room Documents” means the documents relating to the Assets and made available for the Buyer's inspection in the data rooms located at Seller's offices together with such other documents as Seller may have provided to the Buyer prior to the date hereof, all as set out in Schedule 6 hereto;

“Effective Date” means 00:01 hours GMT on _____;

“Encumbrance” means any mortgage, charge (whether fixed or floating), pledge, lien, equity or encumbrance;

“Further Documents” means the Working Interest Assignment and the other documents listed on Schedule 7 in a form reasonably satisfactory to Buyer and in accordance with this Agreement, to be executed in accordance with Clause 7.1.3 and 7.1.4, subject to such amendments required by the _____ and in respect of documents set out in Schedule 7 any reasonable amendments required by the Co-Venturers, together with such other documents as are required to effect Completion;

“Interim Period” means the period of time commencing on the Effective Date and extending up to and including the Completion Date;

“Joint Operating Agreements” means the _____ Joint Operating Agreement dated _____ as subsequently amended and novated;

“LIBOR” for any period means the rate per annum quoted by National Westminster Bank plc, 53 Threadneedle Street, London EL2P 2JN for one (1) month deposits and in amounts of at least U.S. one (1) million dollars (\$1,000,000) to leading banks in the London Interbank market at or about 11:00 a.m. (GMT) on Monday of each succeeding one (1) week term for the relevant period;

“Licenses” means License _____ and License _____;

“Operating Agreements” means the Joint Operating Agreements [and Unit Operating Agreements];

“Operator” shall mean the Operator, as such term is defined in the Joint Operating Agreements [and/or the Unit Operating Agreements];

“Party” means any party to this Agreement;

“Petroleum” has the meaning assigned to it under the [Licenses/Production Sharing Agreement]

“Production Facilities” means the _____ producing facilities and any other associated facilities, assets and systems related thereto;

“PSA” means the Production Sharing Agreement between _____ and _____ and dated _____;

“Reference Interest Rate” means LIBOR for the period in question for the sum due but unpaid on such date for the period in question plus _____ (_____) percentage points;

“Subsidiary” has the meaning assigned to it by section _____ Act _____;

[“U.S. Tax” means any tax, charge, fee, duty, levy or other assessment imposed by any taxing authority of any Governmental Authority (including any interest, penalties or additions to tax), any recapture or clawback of interest with respect to taxes refunded or offset, any obligation to indemnify, reimburse, or pay over (pursuant to a tax sharing arrangement or otherwise) to _____ or any of its Affiliates (other than the Company or any Company Subsidiary) any amount in respect of the foregoing;]

“Traded Data” means, with respect to the Assets, data which relates to an area unrelated thereto and which has been acquired by trade, purchase or otherwise by or on behalf of the Seller as a party to the Operating Agreements from a third party or parties where such data cannot be provided to the Buyer because such transfer is prohibited by the agreement under which it was acquired;

“Unit Operating Agreements” means the _____ Unitisation Agreement and the _____ Unitisation Agreement;

[“VAT” means the tax applied pursuant to the Value Added Tax Act 1994;]

“Working Interest Assignment” means the assignment of the Assets in a form reasonably satisfactory to Buyer and in accordance with this Agreement.

“_____ Field” means the “Unit Area” as defined in the _____ Field Unitisation Agreement;

“_____ Field Unitisation Agreement” means the _____ Field Unitisation and Unit Operating Agreement dated _____ as subsequently amended and novated;

“_____” means the tax applied pursuant to section _____ of the _____ Act _____;

“[Government Approval]” means the [Ministry]; and

“[Minister]” means [Minister of Oil, Etc.];

- 1.2 All references to clauses, recitals and schedules are, unless otherwise expressly stated, references to clauses of, and recitals and schedules to, this Agreement.
- 1.3 The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement.
- 1.4 Any reference to any statute or statutory instrument in this Agreement shall be a reference to the same as amended, supplemented or re-enacted from time to time.
- 1.5 Unless the context otherwise requires, reference to the singular shall include a reference to the plural and vice-versa; and reference to any gender shall include a reference to both genders.
- 1.6 The schedules attached hereto form part of this Agreement. In the event of any conflict between the provisions of this Agreement and the schedules hereto, the provisions of this Agreement shall prevail.

2. Transfer of the Assets

- 2.1 Subject as provided in Clause 3, the Seller as legal and beneficial owner of the Assets hereby agrees for the consideration provided for herein to transfer to the Buyer at Completion and the Buyer hereby agrees to accept at Completion the Assets free, save as disclosed in the Data Room Documents, from all Encumbrances, royalty interests, production payments, carried interests, deferred obligations or any other third party rights or security interests whatsoever (except as specified in the _____ or in the Operating Agreements).
- 2.2 On Completion, the transfer referred to in Clause 2.1 above shall, as between the Parties, be deemed for all purposes to be made with effect from the Effective Date.
3. Conditions of Completion
- 3.1 Completion is conditional on:
- 3.1.1 the receipt of all necessary written consents and approvals of the _____;
- 3.1.2 the receipt of any necessary written consents and approvals of each of the Co-Venturers, and/or evidence of the expiry, exercise or waiver of all rights of preemption in respect of any of the Assets; and
- 3.1.3 the receipt of the confirmation by Buyer from each of the Co-Venturers that the Further Documents are in a form and content satisfactory to each of them and will be executed by each of them without further material amendment.
- 3.2 If, in relation to the Assets, there occurs before Completion (a) any casualty, losses or damages (including in either case, without limitation, curtailment or loss of production), (b) any mechanical failure or breakdown of equipment or (c) any event which gives or may give rise to environmental or pollution liability, and any of (a), (b) or (c), individually or in the aggregate, having or being reasonably expected to have an after-tax impact on Buyer of a monetary value exceeding _____ the Buyer shall have the option to terminate this Agreement, in which case subject to Clauses 19.2 and 19.3, no Party shall have any liability except for a breach of this Agreement committed before such termination. Any dispute as to the monetary value of the after-tax impact shall be referred to an _____ for resolution in the manner set out in Clause 4.3.3.
- 3.3 Seller shall use all reasonable endeavours to procure, with prompt dispatch, the satisfaction of the conditions set out in Clause 3.1 and give the appropriate notices of transfer to the Co-Venturers upon the prior written approval by Buyer, which approval shall not be unreasonably withheld, and shall keep the Buyer informed of progress.

4. Consideration and Adjustments to Consideration

4.1 Consideration

The consideration for the transfer of the Assets to the Buyer shall be _____ [the allocation of which is set out in Schedule 5].

4.2 Adjustments to Consideration

The Buyer shall pay to Seller, or Seller shall pay to the Buyer (as the case may be) such further sums as may be payable pursuant to Clauses 4.3, 4.4, 4.5, 9.3, 9.4, 10.1, 11.7, 11.8, 12.1 and 12.2. Any sums that may become payable under this Clause shall be an adjustment to the consideration and shall be dealt with in accordance with Clause 9.1 (a).

4.3 Working Capital

4.3.1 The Buyer shall pay to Seller or Seller shall pay to the Buyer (as the case may be) a sum to reflect the monetary value of the working capital attributable to the Assets as set forth in Schedule 4. The said sum shall be set out in a statement to be prepared and given by Seller to the Buyer as soon as practicable but no later than thirty (30) days after the Completion Date. Such statement shall be a statement of working capital and a statement of adjustments made pursuant to Schedule 4.

4.3.2 Working capital balances used for the purposes of the statement referred to in Clause 4.3.1 shall be taken from the individual accounts, statements and records as of _____. A copy of the individual accounts, statements and records shall be provided by Seller to the Buyer with such statement. Verification (including the right of audit) of the aforesaid statement shall be carried out as soon as practicable but no later than thirty (30) days after receipt of such statement, and subject to the provisions of Clause 4.3.3, settlement of the sum detailed in the statement, as varied by any adjustment agreed between Seller and Buyer, shall be made as soon as practicable within fifteen (15) days from completion of the verification.

4.3.3 In the event that Seller and Buyer cannot agree upon any matter to which the statement referred to in Clause 4.3.1 relates, the undisputed amount shall be paid and the disputed amounts shall be referred for resolution to _____ appointed by Seller and Buyer or, in the event Seller and Buyer fail to agree on such appointment, by the _____ for the time being of the _____. The _____ shall render his decision within thirty (30) days of the referral and shall be afforded such access to books, records, accounts and documents in the possession of each of the Parties as he may reasonably request. For the purposes of this Agreement, the _____ so appointed

shall be deemed to be acting as an expert and not as an arbitrator, and the decision of the _____ so appointed shall, in the absence of manifest error, be final and binding on Seller and Buyer and settlement of any outstanding amount shall be made within (5) Business Days of such decision. The costs of the _____ shall be borne equally by Seller and Buyer.

4.4 Interim Period Adjustment

- 4.4.1 Buyer shall pay Seller the amount of a obligations and liabilities pertaining to the Assets paid by Seller in respect of the Interim Period, excluding any [tax] paid on operators' cash calls which either has been or has not been but will be, reimbursed to the Seller as input tax recoverable by the Seller after the Completion Date.
- 4.4.2 Seller shall pay to the Buyer the amount of all receipts pertaining to the Assets received by Seller in respect of the Interim Period.
- 4.4.3 For the purposes of this Clause, obligations and liabilities will include, inter alia, cash calls for operating costs and receipts will include, inter alia, actual proceeds from the sale of Petroleum produced after the Effective Date. The Buyer will refund an amount equal to the [tax] at the full marginal rate incurred by the Seller relating to the Assets for the period from the Effective Date up to but excluding the Completion Date. For purposes of clarity, the [tax] incurred by the Seller will be that amount of [tax] actually paid by the Seller for the chargeable period or periods covering the Interim Period and [tax] incurred by the Seller will be a notional calculation based on the full marginal rate times the receipts less revenue expenditures and [any additional tax] paid but with no capital allowances on any capital expenditure during the Interim Period. The full marginal rate shall be _____ percent (____%).
- 4.4.4 The amounts set out above shall be set out in a statement to be prepared and given by Seller to the Buyer as soon as practicable but no later than sixty (60) days after Completion. Verification, including the right of audit of said statement, shall be carried out as soon as practicable but no later than forty five (45) days after receipt of such statement and subject to the provisions of Clause 4.4.5, settlement of the amounts detailed in the statement as varied by any adjustment agreed between Seller and Buyer shall be made within fifteen (15) days from completion of the audit.
- 4.4.5 In the event that Seller and the Buyer cannot agree upon any matter to which the statement referred to in Clause 4.4.4 relates, the undisputed amounts shall be paid and the disputed amounts shall be referred for resolution to _____ appointed by Seller and Buyer or, in the

event Seller and Buyer fail to agree on such appointment, by the _____ for the time being of the _____. The _____ shall render his decision within thirty (30) days of the referral and shall be afforded such access to books, records, accounts and documents in the possession of each of the Parties as he may reasonably request. For the purposes of this Agreement, the _____ so appointed shall be deemed to be acting as an expert and not as an arbitrator, and the decision of the _____ so appointed shall, in the absence of manifest error, be final and binding on Seller and the Buyer and settlement of any outstanding amount shall be made within five (5) business days of such decision. The costs of the _____ shall be borne equally by Seller and the Buyer.

4.5 Interest

4.5.1 In the event that Completion occurs after the Effective Date, the Buyer shall pay to the Seller on the Completion Date, in addition to the consideration, an amount equal to interest on the consideration at a rate per annum equal to the Reference Interest Rate calculated on a day basis using simple interest for the number of days elapsed between the Effective Date and the day immediately preceding the Completion Date (both dates inclusive).

4.5.2 An amount equal to interest shall be paid on any payments due under Clause 4.3 and Clause 4.4 at a rate per annum equal to the Reference Interest Rate calculated on a daily basis using simple interest for the number of days elapsed between the time receipts are received or payments are made to the date of final settlement between the Parties in the case of Clause 4.4 and from the Effective Date to the date of settlement between the Parties in the case of Clause 4.3.

4.6 Any and all amounts to be paid pursuant to this Agreement shall be paid in same day funds to the Seller's account as the Seller shall nominate in writing if owed to the Seller, or if owed to the Buyer in same day funds to such bank account as the Buyer shall nominate in writing.

5. Conduct of Operations Prior to the Completion Date

5.1 Subject to any obligations of confidentiality by which Seller is bound, in respect of the Assets from the date of this Agreement to Completion Date, Seller shall:

5.1.1 provide Buyer with copies of all notices and other information provided by or to Seller under the Operating Agreements as the same become available;

- 5.1.2 provide to Buyer (and its authorized employees, agents and professional advisers) access to all such technical, legal and financial information in the possession of Seller which is or has been made available to Co-Venturers relating to the Assets as Buyer may from time to time reasonably require;
- 5.1.3 not without prior written consent of Buyer (not to be unreasonably withheld) agree to amend the _____, any of the Data Room Documents or any other document or agreement affecting the Assets, nor agree to execute a new joint operating agreement in respect of the [Licenses/Production Sharing Agreement]
- 5.1.4 keep the Buyer informed of and consult with the Buyer with regard to the marketing of Petroleum and on all material proposals affecting the Assets and, prior to any operating committee meeting or any material decision relating to the Assets, consult with the Buyer in good time and (in each case) act or vote in accordance with the instructions of the Buyer provided that in the opinion of the Seller, exercised in good faith, the interests of the Seller are not thereby materially prejudiced, and, with regard to any other proposals, wherever practicable consult with Buyer and give due consideration to the view of Buyer before exercising its voting rights in connection with any matter or proposal to be voted upon by the operating committees established under the Operating Agreements;
- 5.1.5 continue to meet all expenditures, receive all income, perform all obligations relating to the Assets and generally conduct all business in relation to the Assets in a proper and workmanlike manner and exercise its voting power to ensure that the Assets are well maintained and fully safeguarded; and
- 5.1.6 not sell, charge, transfer, assign, encumber in any manner whatsoever the Assets or purport to seek to do any of the same.
- 5.2 Without prejudice to the foregoing, Seller shall (subject to any confidentiality obligations by which it is bound) ensure that pending Completion Buyer is kept fully informed of developments relating to the Assets including but not limited to:
 - (a) the making of any cash calls or approval of AFE's;
 - (b) the adoption or proposal of any budget; and
 - (c) the receipt of any significant geological or other data.
- 5.3. Nothing hereunder shall require Seller to consult or obtain the consent of Buyer in respect of actions taken by the Operator in cases of emergency under the Joint Operating Agreements.

6. Pre-emption Rights

- 6.1 If pursuant to rights of preemption under any Joint Operating Agreement or any Unit Agreement any Co-Venturer of the Seller acquires any of the Assets, this Agreement shall for all purposes cease to apply as between the Seller and the Buyer to those of the Assets over which such rights are exercised.
- 6.2 For the avoidance of doubt, it is confirmed that the Consideration shall be reduced by the amount or amounts as specified in Schedule 5 allocated to those of the Assets in respect of which this Agreement ceases to apply pursuant to Clause 6.1 and this Agreement shall continue to apply to those Assets not so affected.

7. Completion

- 7.1 Completion shall, subject to the provisions of Clauses 3.2 and 19, take place as soon as possible within five (5) Business Days after notification from Seller to the Buyer that the conditions in 3.1 have been satisfied at such location outside the territory of _____ and at such time as is mutually agreed by the Parties, at which time:
 - 7.1.1 the Buyer shall pay to Seller by wire transfer in _____ the consideration set out in Clause 4.1 of this Agreement together with any sums payable in accordance with Clause 4.5.1 including such adjustments thereto that are capable of being made at Completion;
 - 7.1.2 Seller shall deliver to Buyer:
 - (a) the Further Documents (other than the Working Interest Assignment) duly executed by the Seller and, as appropriate, by all of the Co-Venturers; and
 - (b) evidence that Seller has instructed each Operator to recognize the Buyer's ownership of the Buyer's proportion of the working capital at the Completion Date.
 - 7.1.3 The Parties shall execute the Working Interest Assignment and comply with its terms; and
 - 7.1.4 The Parties shall execute all such other documents and do all acts and things as may be reasonably required in order to effect the transfer of the Assets to the Buyer and otherwise carry out the true intent of this Agreement.
- 7.2 Seller will deliver to Buyer the Data and copies of the Data Room Documents and such other documentation relevant to the Assets as Buyer may reasonably request

as soon as practicable but in any event within twenty (20) Business Days after the Completion Date.

- 7.3 Without prejudice to the provisions of Clause 7.1.3 the Parties agree, notwithstanding Completion, to execute and deliver to each other all such additional instruments and to do all such further acts and things as may reasonably be required, or as may be reasonably requested by any Party, to fully vest in, and assure each Party of, all rights, powers and privileges intended to be granted to or conferred upon the Parties under or pursuant to this Agreement and to otherwise give effect to the transactions contemplated under this Agreement.

8. Representations, Warranties and Undertakings

- 8.1 Subject to the provisions of Clause 8.3, Seller hereby represents and warrants to Buyer in the terms set out in Schedule 2 and such representations and warranties shall be deemed to be repeated immediately prior to Completion on the basis that all references to “the date hereof” shall be deemed to refer to the Completion Date.
- 8.2 Buyer hereby represents and warrants to the Seller in the terms set out in Schedule 3 and such representations and warranties shall be deemed to be repeated immediately prior to Completion on the basis that all references to “the date hereof” shall be deemed to refer to the Completion Date.
- 8.3 Seller shall ensure that the representations and warranties referred to in Clause 8.1 are true and accurate on the Completion Date but if notwithstanding such efforts any matter or thing occurs of which Seller is aware and which would be inconsistent with any of such representations and warranties on the Completion Date Seller shall promptly notify Buyer thereof.
- 8.4 In the event of any matter or thing materially inconsistent with any of the representations or warranties given by Seller in or pursuant to this Agreement being notified by Seller to Buyer prior to Completion (or Buyer otherwise becoming aware of such matter or thing) and such matter or thing continuing to be materially inconsistent at the date agreed for Completion, Buyer shall not be bound to complete the acquisition of the Assets and Buyer may by notice in writing to Seller prior to Completion rescind this Agreement. Such right of rescission shall be Buyer’s only remedy, and there shall be no liability on the part of Buyer or Seller with respect to such matters or things whether or not this Agreement is rescinded; provided, however, that if the inconsistency or breach is material and due to the intentional or reckless act or omission of a Party, the non-defaulting Party may proceed to Completion and may seek compensation in respect of such inconsistency or breach notwithstanding Completion and its rights thereof shall not be prejudiced by Completion.

- 8.5 If Buyer receives any claim or becomes aware of any fact which may result in Buyer having a claim against Seller under this Clause, Buyer shall promptly notify Seller thereof in writing and Seller shall be entitled to require Buyer to take any reasonable action it may request to resist such claim and Buyer will give Seller all co-operation, access and assistance for the purposes of considering such claim as it may reasonably require; provided always that Buyer is indemnified to its reasonable satisfaction by Seller against all claims, costs, expenses, damages or losses which may thereby be incurred.
- 8.6 The Buyer shall not be entitled to claim that any fact or matter constitutes a breach of the representations and warranties set out in Schedule 2 hereto to the extent that such fact or matter is fairly disclosed in the Data Room Documents relating to the Assets or is disclosed in Schedule 8 hereto.
- 8.7 No claim may be made by either Party for a breach of any representation or warranty made by the other Party, in the case of a claim relating to taxes following the _____ anniversary of the Completion Date, and in the case of any other claim following the _____ anniversary of the Completion Date, and no liability shall attach to either Party in respect of any such claim until the aggregate amount of all such claims against that Party exceeds _____, in which event that Party shall be liable for the whole of such amount and not merely the excess.
- 8.8 The maximum aggregate liability of Buyer or Seller as the case may be for all claims for breach of any representation or warranty under Clauses 8.1 or 8.2 arising after Completion shall in no event exceed the aggregate of the amount of consideration, together with any adjustments thereto.

9. Taxation

9.1 Seller and Buyer acknowledge that:

- (a) the consideration represents expenditure incurred by the Buyer in acquiring plant and machinery relating to the Assets in the following amounts:

_____ Field/License/PSA: _____

_____ Field/License/PSA: _____

and the remainder of the consideration relates to the balance of the Assets including the [Licenses/Production Sharing Agreements].

The adjustments to consideration made in accordance with Clause 4.2 shall be added to or subtracted from the part of the consideration attributed to the relevant Assets and to the relevant categories of plant and

machinery, balance of license/PSA interest or working capital items, as the case may be, and for the avoidance of doubt any such expenditure not expressly allocable to plant and machinery or working capital items shall be allocated to the category of license/PSA interest;

- (b) no part of the consideration or adjustments to consideration pursuant to Clause 4.2 whether or not attributed to the balance of the Assets, shall be treated as a reimbursement of expenditure which the Seller has incurred whether comprising intangible drilling expenditure or otherwise; and
- (c) they will each present their returns for tax purposes on the basis stated above and that they will use all reasonable endeavors to agree with the [Tax Authority] the figures so presented.

9.2 With respect to the _____ Field/License/PSA and the _____ Field/License/PSA the Seller shall prepare and the Seller and the Buyer shall deliver to the _____ in a timely fashion a notice in accordance with _____.

[9.3 Each of the Seller and Buyer confirms that it is registered as a taxable person for the purposes of _____.]

[9.4 It is hereby agreed that with respect to the _____ Field/License/PSA the Buyer shall be entitled for its own exclusive account to all _____ benefits which may result from successful pursuit of claims for such expenditures incurred prior to the Effective Date and that with respect to the _____ Field/License/PSA the Buyer shall be entitled for its own exclusive account to all _____ benefits which may result from successful pursuit for such expenditure incurred prior to the Effective Date]

[9.5 Where an amount of interest is required to be paid under this Agreement, and tax is required by law to be deducted from such amount, the Party making such payment shall be entitled to make such deduction, and account for the same to the _____ and shall deliver within 30 days after it has done so a certificate of deduction to the Party receiving the interest.]

[9.6 The Seller will furnish the Buyer with copies of any assessments to _____ or determinations of losses, or any variations or amendments to such assessments or determinations.]

9.7 The Seller shall use its best efforts to procure that all documentation reasonably requested by the Buyer relating to any _____ assessments, determinations, returns or claims whether existing or future, in respect of the Assets, made by the Seller or issued by any Operator or the _____ to the Seller are communicated to the Buyer without delay. The Seller shall not make any claims, file any returns, make any representations or enter into any discussions or

negotiations with third parties in respect of the Assets without the prior consent of the Buyer (such consent not to be unreasonably withheld or delayed) in relation to tax matters relating to any _____ period after the _____ period in which the Completion Date falls, provided the Seller shall not be required to divulge any information of a privileged or confidential nature to the Buyer.

10. Audit Claims

- 10.1 Notwithstanding any other provision of this Agreement, in the event that any audit in respect of any period prior to the Effective Date is made under the Joint Operating Agreements prior to the third anniversary of Completion or any request is made for an adjustment to any joint account relating to the Assets under the Joint Operating Agreements the Buyer shall, subject to it being reimbursed for all its reasonable expenses in so doing, give the Seller access to the results of such audit or request to the extent that they relate to periods prior to the Effective Date; and (a) to the extent that any payment in respect thereof is made by the Operator such payment shall be made to Seller and (b) to the extent that any payment is required to be made in respect thereof to the Operator, such payment shall be made by Seller to Buyer.
- 10.2 Without limiting Seller's obligation to deliver the Data under any other provision of this Agreement, to the extent that the Seller shall have any information, records or data in respect of the Assets or the Data Room Documents for periods prior to the Effective Date that it has not made available to the Buyer on or after Completion and/or to the extent that the Buyer shall request the assistance of the Seller in the interpretation and construction of the same and for any information, records or data that have been delivered to it by the Seller hereunder, the Seller shall, subject to it being reimbursed for all its reasonable expenses in so doing, make the same available to the Buyer promptly after receipt of said request.

11. Insurance

- 11.1 Neither Buyer nor Seller shall be obligated to arrange for insurance coverage on the Assets protecting the other party for any loss, damage, liability or expense for which such party may have responsibility under this Agreement, except as may be provided in Clauses 11.4, 11.5, 11.6 and 11.7 herein. Both Buyer and Seller shall be free to arrange such insurance coverage on the Assets protecting their respective interests as each may deem advisable for their own account and at their own expense and shall cooperate with each other to ensure, as far as practicable, that the insurance coverage held by either party is appropriately coordinated and does not conflict.
- 11.2 Upon execution of this Agreement, Seller shall furnish all such information as Buyer may reasonably request in order to enable Buyer to arrange for its own

insurance coverage during and after the Interim Period, including information in respect of Seller's insurance coverage on the Assets.

- 11.3 Seller shall use reasonable efforts to ensure its policies providing insurance coverage on the Assets are endorsed such that the underwriters and/or insurers thereof shall have no right of contribution from the Buyer's insurance, and Buyer shall use reasonable efforts to ensure its policies providing insurance coverage on the Assets are endorsed such that the underwriters and/or insurers thereof shall have no right of contribution from the Sellers insurance.
- 11.4 During the Interim Period, Seller shall maintain or obtain or cause to be obtained in respect of the Assets all such insurance coverage as may be necessary to comply with applicable laws, rules and regulations and as may be required by any Assets Document. Buyer shall be named as an additional insured and loss payee on all such insurance wherever possible.
- 11.5 At the request of the Buyer and with Seller's agreement, Seller shall, as soon as reasonably practicable following such request, have Buyer joined wherever possible on any insurance policy effected by the Seller in respect of the Assets as an additional insured and loss payee during the Interim Period, in respect of Buyer's rights and interest under this Agreement. Seller shall provide certification or other documentation evidencing that the Buyer has been included as an additional insured and loss payee as soon as reasonably practicable.
- 11.6 In respect of any Operator arranged insurance in respect of the Assets, Seller and Buyer shall endeavor to have the Buyer protected thereunder.
- 11.7 In respect of the insurance coverage which may be afforded to the Buyer pursuant to the terms of Clauses 11.4, 11.5, and 11.6, at the Completion Date or on the 10th Business Day after their receipt by Seller (whichever occurs later), Seller shall pay to Buyer the sum of any proceeds of such insurance coverage received against loss or damage suffered or liability or expense incurred in relation to the Assets during the Interim Period less any [tax] on capital gains or other tax incurred or to be incurred thereon by the Seller and less any amount which has been applied (or represents sums which have been applied):
 - (i) in rectifying or remedying such loss or damage or meeting such liability or expense; and
 - (ii) in reimbursing Seller for expenditure incurred prior to the Effective Date for rectifying or remedying such loss or damage or meeting such liability of expense.

Seller shall use reasonable endeavours to pursue (or assist and cooperate with Buyer to pursue, if Buyer is able to do so in its own name) any claim against insurers for loss or damage, liability or expense relating to the Assets suffered

during the Interim Period. If the insurers dispute or resist any claim Seller shall promptly notify Buyer who shall be entitled to require Seller to pursue (or assist and cooperate with Buyer to pursue, if Buyer is able to do so in its own name) the claim provided that it shall indemnify Seller against any reasonable and verifiable costs and expenses Seller may thereby incur in pursuing such claim.

- 11.8 In respect of the insurance coverage which may be afforded to the Buyer pursuant to the terms of Clauses 11.4, 11.5, and 11.6, Buyer shall pay to Seller the insurance premiums relative to such insurance during the Interim Period, at the time of the Interim Period adjustment as provided in Clause 4.4. Any premiums due to Seller hereunder shall not exceed reasonable commercial market rates and shall be a revenue expenditure for the notional tax calculation under Clause 4.4.3.

12. Indemnity

- 12.1 Seller shall be entitled to all benefits and receipts and shall be liable for all costs, charges, expenses, liabilities and obligations in respect of the Assets which accrue or relate to any period before the Effective Date. Seller shall reimburse and indemnify Buyer against any such costs, charges, expenses, liabilities and obligations which are paid by Buyer and have not been reimbursed to Buyer pursuant to the other provisions of this Agreement, including Clauses 4.3 and 4.4. For the avoidance of doubt the Seller shall be entitled to all benefits and receipts which arise in connection with the resolution of the disputes referred to in paragraphs 2 and 3 of Schedule 8.
- 12.2 Buyer shall be entitled to all benefits and receipts and shall be liable for all costs, charges, expenses, liabilities and obligations in respect of the Assets which accrue or relate to any period on and after the Effective Date. Buyer shall reimburse and indemnify Seller against any such costs, charges, expenses, liabilities and obligations which are paid by Seller and have not been reimbursed to Seller pursuant to the other provisions of this Agreement, including Clauses 4.3 and 4.4. Without prejudice to the generality of the foregoing Buyer shall indemnify and hold Seller harmless against any costs, charges, expenses, liabilities and obligations incurred in abandoning any field property (including but not limited to wells) or facilities acquired pursuant to this Agreement or held or brought into being with respect to the Assets to the extent that such costs, charges, expenses, liabilities and obligations are attributable to the Assets and accrue and relate to any period on or after the Effective Date.
- 12.3 Notwithstanding any other provision of this Agreement neither Party shall under any circumstances be liable to the other for any special or punitive loss or damage, whether arising out of or in any way connected with this Agreement or the Further Documents.

- 12.4 No claim may be made by either Party under Clause 12.1 or 12.2 against the other Party until the aggregate amount of all such claims against that Party exceeds _____, in which event that Party shall be liable to the other Party for the whole of such amount and not merely the excess, and, in any event, after three years from the Completion Date.
- 12.5 Reimbursement pursuant to this Clause 12 shall be exclusive of [VAT] which a Party (“Charging Party”) may be required to charge and if called upon to do so by the Charging Party the other Party undertakes to pay the Charging Party on presentation of a [VAT] invoice any amounts properly due in respect of [VAT] set out in such invoice within thirty (30) days of demand.
- 12.6 Notwithstanding the provisions of Clauses 12.1 and 12.2, it is agreed that any costs, charges, expenses, liabilities and obligations, including without limitation payment to be made to any Co-Venturers, and any benefits, including without limitation any payment received (whether in kind or otherwise) from Co-Venturers, shall be for the account of the Buyer where the entitlement to such benefit or the liability to assume such costs, charges, expenses, liabilities and obligations arises out of a redetermination of unit interests in accordance with the Unit Operating Agreements to the extent that such obligations are attributable to the Assets.
13. Announcements
- 13.1 Either Party shall be entitled to make a public announcement or statement regarding the Assets except that the prior written consent of the other Party shall be required where such announcement or statement relates to:
- (a) the negotiation and/or execution of this Agreement or the Further Documents or Completion; and
 - (b) subject to Clause 16 hereof, the terms of this Agreement.
- 13.2 Each party shall submit any proposed releases referred to in Clauses 13.1(a) and (b) above to the other for comment and will give due consideration to any comments received.
- 13.3 Notwithstanding the foregoing, neither Party shall be precluded from making any public announcement or release regarding the Assets or the transaction hereunder if the same is required by applicable law, the U.S. Securities and Exchange Commission or any recognized stock exchange on which the shares of the Parties or their respective Affiliates are traded.
14. Notices

14.1 Any notice pursuant to this Agreement may be given by telex, facsimile transmission or letter to the Party to be served at the address stated in Clause 14.3 or such other address as may be given for the purposes of this Agreement by written notice to the other Parties.

14.2 A notice given by telex or facsimile transmission shall be deemed to be served on the first Business Day following the date of dispatch, but a notice sent by post or delivered personally shall not be deemed to be delivered until received.

14.3 The respective addresses for service are:

Seller:

Buyer:

15. Costs and Expenses

15.1 The Parties shall each pay their own costs and expenses in relation to the preparation and execution of this Agreement and the documents contemplated hereby or executed pursuant hereto.

15.2 Buyer shall be responsible for payment in a timely fashion of any and all stamp duties and any other charges payable on or in respect of this Agreement, the Further Documents and all transfers and/or documents contemplated hereby or executed pursuant hereto.

16. Confidentiality

The terms of this Agreement shall be held confidential by the Parties and shall not be divulged in any way to any third party by either Party provided that either Party may, without such approval, disclose such terms to:

16.1 any outside professional consultants, upon obtaining a similar undertaking of confidentiality (but excluding this proviso) from such consultants; or

16.2 any bank or financial institution from whom such Party is seeking or obtaining finance, upon obtaining a similar undertaking of confidentiality (but excluding this proviso) from such bank or institution; or

16.3 the extent required by any applicable laws, the License/PSA, or the requirements of any recognized stock exchange in compliance with its rules and regulations; or

16.4 any government agency lawfully requesting such information; or

16.5 any court of competent jurisdiction acting in pursuance of its powers; or

16.6 any Affiliate upon obtaining a similar undertaking of confidentiality; or

16.7 The provisions of this Clause 16 shall not apply to any information which at the time of being furnished or disclosed to a party ("Receiving Party") is already within the public domain or subsequently comes within the public domain other than by breach of this Clause 16, or is acquired by the Receiving Party from a third party, which, so far as the Receiving Party is aware, is free to disclose it.

17. Variance

The terms and conditions of this Agreement shall only be varied by an agreement in writing signed by each of the Parties and specifically referring to this Agreement.

18. Assignment

None of the rights, liabilities or obligations of either of the Parties under this Agreement are assignable except with the prior written consent of the other Party, such consent not to be unreasonably withheld; provided, however, that Buyer shall be free to assign its rights under this Agreement to any Subsidiary or Affiliate but only on terms that all such rights should ipso facto lapse if for any reason whatsoever any such assignee ceases to be an Affiliate unless said Assignee shall, before ceasing to be an Affiliate, reassign said rights to Buyer.

19. Termination

19.1 Subject to Clause 19.2, this Agreement shall terminate if Completion does not occur due to failure to fulfill the conditions set out in Clause 3.1 on or before _____. Upon such termination, no Party shall have any liability hereunder except for a breach of this Agreement committed before such termination.

19.2 Notwithstanding termination of this Agreement pursuant to Clause 19.1, the provisions of Clause 16 shall continue to apply for a period of two years from the date hereof.

19.3 Termination of this Agreement pursuant to Clause 19.1 shall be without cost to any Party.

20. General

20.1 This Agreement constitutes the entire agreement between the Parties and supersedes all warranties and representations previously made and all previous agreements, arrangements or understandings between the Parties relating to the matters contained herein whether oral or in writing made or dated prior to the date hereof. Buyer hereby confirms to Seller that it has not relied on any representation save those referred to in this Agreement. Seller hereby confirms to Buyer that it has not relied on any representations save those referred to in this Agreement.

20.2 No waiver by any Party of any breach of a provision of this Agreement shall be binding unless made expressly in writing. Further, any such waiver shall relate only to the breach to which it expressly relates and shall not apply to any subsequent or other breach.

20.3 Time shall be of the essence of this Agreement.

20.4 This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties.

21. Governing Law Jurisdiction

The construction, validity and performance of this Agreement shall be governed by _____ Law and the Parties hereby submit to the exclusive jurisdiction of the _____.

22. Counterparts

This Agreement may be executed in counterparts by the parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused their duly authorized signatories to execute and deliver this Agreement on the day and year first above written.

By: _____

Name: _____

Title: _____

in the presence of

Name: _____

By: _____

Name: _____

Title: _____

in the presence of:

Name: _____

SCHEDULE 1
DESCRIPTION OF ASSETS

SCHEDULE 2

REPRESENTATIONS AND WARRANTIES OF THE SELLER

1. Seller is the legal and beneficial owner of the Assets, subject to the provisions of the Data Room Documents relating to the _____ and any pipeline or facility ownership redetermination related thereto.
2. The Assets are free from all Encumbrances and from all overriding interests, royalties, deferred payments, net profit interests, carried interests, production payment, and any other burden, equity or third party rights whatsoever and there is no agreement or commitment to give or create any of the same.
3. Seller has not committed any breach of and is not in default under any of the Data Room Documents relating to the Assets, and has not received notice (nor is it aware) that any of the parties to the Data Room Documents relating to the Assets has committed any breach of, or is in default under, any of the Data Room Documents relating to the Assets, which breach or default, as the date hereof, is of a material nature and subsisting.
4. The Licenses/PSAs and all rights and interests thereunder or deriving therefrom of the Seller are in full force and effect and no act or omission of the Seller, or, as far as the Seller is aware, of any other person, firm or company has occurred which would or might entitle the [Minister] to revoke _____ and no notice has been given to the Seller or, as far as the Seller is aware, to any other person, firm or company by the [Minister] of any intention to revoke _____ and there are no other grounds for rescission, avoidance, revocation, repudiation or termination of either of the Licenses/PSAs.
5. Subject to the provisions of the Data Room Documents all accrued obligations and liabilities imposed by _____ (including, without limitation, work obligations) have been duly fulfilled and discharged and there are no outstanding work obligations to be fulfilled under _____ and the [Minister] has not given notice to Seller of any intention to require further works to be conducted (whether in relation to exploration or development), or to call for the submission of or impose a development program.
6. Seller has kept proper and consistent accounts, books and records of its activities relating to its operations conducted with respect to the Assets and such accounts, books and records are up to date and there has been no change in any practice or policy insofar as such change might affect the valuation of assets or the recording of expenditure or receipts relating to the Assets. All returns relating to _____ the Assets, the _____ or the subject matter thereof, are up to date and there is currently no dispute except as disclosed in the Data Room Documents concerning the same of which Seller is aware.
7. Seller is not a party to any litigation, arbitration or administrative proceedings or to any dispute in relation to, and which are likely to prejudice or endanger in any manner, the

Assets and Seller is not aware that any such litigation, arbitration or administrative proceedings are threatened or pending either by or against Seller and there are no facts known to Seller which are likely so to prejudice or endanger the Assets and, as far as Seller is aware, none of the parties to the Data Room Documents relating to the Assets is involved in or threatened with any litigation, arbitration or administrative proceedings or any dispute in relation to, or which is likely to prejudice or endanger in any manner, the Assets.

8. Seller is duly incorporated with limited liability and validly exists under the laws of _____, is in good standing.
9. The documents which contain or establish Sellers constitution incorporate provisions which authorize, and all necessary corporate action has been taken to authorize, Seller to sign and deliver, and perform the transactions contemplated by, this Agreement.
10. Upon execution by all the relevant parties of the Further Documents, neither the signing and delivery of this Agreement nor the performance of any of the transactions contemplated by this Agreement, will:
 - (i) contravene or constitute a default under any provision contained in any agreement, instrument, law, judgment, order, licence, permit or consent by which Seller or any of its assets is bound or affected; or
 - (ii) cause any limitation on Seller or the powers of its directors, whether imposed by or contained in any document which contains or establishes its constitution or in any law, order, judgment, agreement, instrument or otherwise, to be exceeded which in either case is material in the context of this Agreement.
11. To the best of Seller's knowledge and belief, the relevant Data Room Documents relating to the Assets conform to the originals and there are no other documents or written information relating to the Assets which:
 - (i) are not included in the Data Room Documents, and
 - (ii) would, taken as a whole, render the Data Room Documents relating to the Assets materially inaccurate or misleading.
12. Save to the extent that such fact or matter is fairly disclosed in the Data Room Documents relating to the Assets, there are no arrangements binding on the Seller which restrict the ability of the Seller freely to dispose of the Assets or any Petroleum.

SCHEDULE 3

REPRESENTATIONS AND WARRANTIES OF THE BUYER

1. Buyer is duly incorporated in _____ with limited liability and validly exists under the laws of _____.
2. The documents which contain or establish Buyer's constitution, incorporate provisions which authorize, and a necessary corporate action has been taken to authorize, Buyer to sign and deliver, and perform the transactions contemplated by, this Agreement.
3. Upon execution by all relevant parties of the Further Documents, neither the signing and delivery of this Agreement nor the performance of any of the transactions contemplated by this Agreement, will:
 - (i) contravene or constitute a default under any provision contained in any agreement, instrument, law, judgment, order, licence, permit or consent by which the Buyer or any of its assets is bound or affected; or
 - (ii) cause any limitation on it or the powers of its directors, whether imposed by or contained in any document which contains or establishes its constitution or in any law, order, judgment, agreement, instrument or otherwise, to be exceeded,which in either case is material in the context of this Agreement.
4. No event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under any agreement or instrument by which Buyer or any of its assets are bound or affected, being a contravention or default would materially and adversely affect its ability to observe or perform its obligations under this Agreement and the transaction contemplated hereby.
5. No litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims which would materially and adversely affect its ability to observe or perform its obligations under this Agreement and the agreements contemplated hereby, is presently in progress or pending or, to the best of the knowledge, information and belief of Buyer, threatened against Buyer or any Affiliate of Buyer.
6. Buyer is not for statutory purposes deemed to be unable to pay its debts or is unable to pay its debts as they become due, nor has it otherwise become insolvent or suspended making any payment or threatened to do so.
7. No steps have been taken to:

- (a) propose any composition, scheme of arrangement, compromise or arrangement involving the Buyer and its creditors generally;
- (b) obtain an administration order or appoint any administrative or other receiver or manager (or equivalent officer) in relation to, or put in force any legal process against the Buyer or any of its or their property;
- (c) wind up or dissolve the Buyer.

SCHEDULE 4

WORKING CAPITAL

Pursuant to Clause 4.3 of this Agreement, the monetary value of working capital shall be valued in accordance with the provisions of this Schedule and U.S. Generally Accepted Accounting Principles.

1. Preparation of Statement

The statement of working capital shall be expressed in _____ or United States dollars as incurred by the Seller and shall be based on the accounts, statements and records as of _____. The statement shall be prepared using actual amounts or estimated amounts, if any, that may be reflected in the accounts.

2. Elements of Working Capital

The elements of working capital shall comprise the aggregated current assets (which shall include, without limitation, cash, any underlifted position, oil in inventory, other inventories, materials and stock) minus aggregated current liabilities (which shall include, without limitation, any overlifted position). Any tax assets/liabilities including current and deferred taxes are to be specifically excluded in the calculation of working capital pursuant to this paragraph 2.

3. Payment of Working Capital

Should the working capital be a positive sum, then the Buyer shall pay to the Seller that amount as settlement for working capital in accordance with the provisions of Clause 4.3 of this Agreement.

Should the working capital be a negative sum, then the Seller shall pay to the Buyer that amount as settlement for working capital in accordance with the provisions of Clause 4.3 of this Agreement.

SCHEDULE 5
ALLOCATION OF THE CONSIDERATION

SCHEDULE 6
DATA ROOM DOCUMENTS

SCHEDULE 7

SCHEDULE 8