

ATTACHMENTS

- Attachment 1 - a letter dated the 23 May 2002, from FGN awarding OPL 245 to SNUD
- Attachment 2 - a production sharing contract ("PSC") with Nigerian National Petroleum Corporation (NNPC), on 22 December 2003
- Attachment 3 - Settlement Agreement dated 30th November, 2006, the Court of Appeal Abuja,
- Attachment 4 - Escrow Agreement dated 22nd December 2003, between FGN and SNUD
- Attachment 5 - Block 245 Resolution Agreement dated 29th April, between FGN, NNPC, SNUD, SNEPCO and NAE
- Attachment 6 - Block 245 SNUD Resolution Agreement signed 29th April 2011, between FGN, SNUD and SNEPCO.
- Attachment 7 - Terms of Settlement signed 29th April 2011, between SNUD, SNEPCO and Malabu.
- Attachment 8 - Escrow Agreement 2 signed 4th May 2011, between FGN, NAE and SNEPCO.
- Attachment 9 - Letter dated 3rd May, 2011 from FGN to NAE and SNUD notifying SNUD, SNEPCO and NAOC of the release of claims in accordance with the escrow agreement.
- Attachment 10- Letter dated 11th May, 2011 from FGN to SNEPCO awarding OPL 245 to SNEPCO AND NAE jointly.
- Attachment 11 - Notice of discontinuance dated 29th April 2011 between FGN and SNUD.
- Attachment 12 - Escrow Termination Notice signed 3rd May 2011 between FGN and SNUD
- Attachment 13 - Escrow Completion Notice of Escrow Agreement 2 between FGN, NAE and SNEPCO

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ATTACHMENT 2

A Production Sharing Contract ("PSC")
with Nigerian National Petroleum
Corporation (NNPC), on 22nd December
2003.

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Signature
Date 23/7/2011

Ben Malokun
Registrar

Production Sharing Contract

BY AND BETWEEN

NIGERIAN NATIONAL PETROLEUM CORPORATION
(THE "CORPORATION")

and

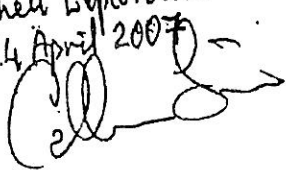
SHELL NIGERIA ULTRA DEEP LIMITED
(THE "CONTRACTOR")

COVERING: BLOCK 245 OFFSHORE NIGERIA

Dated: 22ND DECEMBER 2003

I certify that this is
a true copy of the original
of this document

Callum D. Sim
Senior Legal Counsel
- Shell Exploration & Production Africa Ltd
24 April 2007



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Date..... 23/7/2012

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 Date: 23/7/2012

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THIS CONTRACT is made this 22nd day of December 2003 BETWEEN the NIGERIAN NATIONAL PETROLEUM CORPORATION, a corporation established under the laws of the Federal Republic of Nigeria, with its head office at NNPC Towers, Herbert Macaulay Way, Central Business District, Abuja (hereinafter referred to as "the CORPORATION" which expression shall, where the context so admits, include its successors-in-title and assigns) of the one part, and SHELL NIGERIA ULTRA DEEP LIMITED, company incorporated under the laws of Federal Republic of Nigeria, having its registered office at Freeman House, 21/22 Marina, Lagos, (hereinafter called "CONTRACTOR" which expression shall, where the context so admits, include its respective successors-in-title and assigns) of the other part.

WHEREAS, by virtue of Section 1 of the Petroleum Act Cap 350 Laws of Nigeria 1990 as amended, the Federal Government of the Federal Republic of Nigeria is vested with the entire ownership and control of all petroleum in, under or upon any land which is in Nigeria or under the territorial waters of Nigeria or within the Exclusive Economic Zone of Nigeria; and

WHEREAS, the CORPORATION is the holder of the oil prospecting license (OPL) No. 245 described in Annex A hereto and any subsequent Oil Mining Lease (OML) derived therefrom; and

WHEREAS, the said area of the OPL 245 and any subsequent OML shall constitute the Contract Area; and

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WHEREAS, by virtue of the Nigerian National Petroleum Corporation Act Cap 320 laws of the Federation of Nigeria 1990, the CORPORATION has the right, power and authority to enter into this Contract; and

WHEREAS, the CONTRACTOR represents that it together with its Affiliates has the technical competence and professional skills necessary to conduct Petroleum Operations and has the funds both local and foreign for carrying on the said operations and has agreed to conduct the said operations; and

NOW THEREFORE, in consideration of the premises and the mutual covenants herein reserved and contained, it is hereby agreed as follows:

CLAUSE 1 - DEFINITIONS

As used in this Contract, unless otherwise specified, the following terms shall have the respective meaning herein ascribed to them:

- (a) "Accounting Procedure" means, the Rules and Procedures as set forth in Annex B and attached to and forming part of this Contract.
- (b) "Affiliate" means, a company or other entity that controls or is controlled by a Party to this Contract, or which is controlled by a company or other entity which controls a Party to this Contract, it being understood that control

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shall mean ownership by one company or entity of at least fifty (50%) percent of:

- (i) the voting stock, if the company is a corporation issuing stock; or
- (ii) the controlling rights or interests, if the entity is not a corporation.

In relation to Shell Nigeria Ultra Deep Limited,

(a) N.V. Koninklijke Nederlandsche Petroleum Maatschappij,

(b) The "Shell" Transport and Trading Company PLC:
Any company (other than Shell) which is for the time being directly or indirectly controlled by N.V. Koninklijke Nederlandsche Petroleum Maatschappij and the "Shell" Transport and Trading Company, PLC or either of them. For the purposes of this definition, a company is directly controlled by another company or companies if such other company or companies hold shares carrying in the aggregate at least fifty percent (50%) of votes exercisable at a general meeting of the first mentioned company or companies; and a particular company is indirectly controlled by a company or companies (hereinafter called the "parent company or companies") if a series of companies can be specified, beginning with the parent company of companies and ending with particular company so related that each company of the series, except the

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parent company or companies, is directly controlled by one or more of the companies earlier in the series.

(c) "Available Crude Oil" means, the Crude Oil won and saved from the Contract Area.

(d) "Barrel" means, a quantity or unit of Crude Oil, equal to forty-two (42) United States gallons at the temperature of sixty degrees (60°) Fahrenheit at normal atmospheric pressure.

(e) "Budget" means, the cost estimate of items included in a Work Programme.

(f) "Calendar Year" means, a period of twelve (12) months commencing from January 1 and ending the following December 31, according to the Gregorian Calendar.

(g) "Capital Cost" means, those expenditures incurred and obligations made in accordance with Article II.2 of the Accounting Procedures.

(h) "Commercial Quantity" shall have the same meaning as defined in the Petroleum Act CAP 350 Laws of the Federation of Nigeria 1990 as amended.

(i) "Concession Rentals" means, the rents payable on the OPL and OML under the Petroleum Act CAP 350 Laws of the Federation of Nigeria, as amended.

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(j) "Contract Area" means, the area of the OPL 245 and any OML derived therefrom.

(k) "Contract Year" means, a period of twelve (12) consecutive months according to the Gregorian Calendar, from the Effective Date of this Contract or from the anniversary of the Effective Date.

(l) "Cost Oil" means, the quantum of Available Crude Oil allocated to the CONTRACTOR for recovery of Operating Costs after the allocation of Royalty Oil to the CORPORATION.

(m) "Crude Oil" means, the liquid petroleum which has been treated but not refined and includes condensates but excludes basic sediments and water.

(n) "Deep Offshore" means, any water depth beyond 200 metres.

(o) "Effective Date" means the date on which the sums specified in Clause 2.1 (a) and Clause 2.1 (b) are paid by the Contractor

(p) "Foreign Currency" means, currency other than that of Nigeria agreed upon by the Parties and acceptable to the Federal Government of Nigeria.

(q) "Government" means, the Government of the Federal Republic of Nigeria.

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(r) "Gross Negligence" means, any act or failure to act of any Senior Supervisory Personnel (whether sole, joint or concurrent) which was intended to cause, or which was in reckless disregard of or wanton Indifference to, the harmful consequences such act or failure to act would have on (a) the safety of personnel or property or (b) Petroleum Operations.

(s) "Lifting Procedure" means, the Rules and Procedures set forth in Annex D and attached to and forming part of this Contract.

(t) "Minister" means, the Minister charged with the responsibility for Petroleum Resources in Nigeria.

(u) "Ministry" means, the Ministry charged with the responsibility for Petroleum Resources in Nigeria.

(v) "Natural Gas" means, all gaseous hydrocarbons produced in association with the Crude Oil or from reservoirs which produce mainly gaseous hydrocarbons.

(w) "Oil Mining Lease" ("OML") means, a lease granted by the Minister under the Petroleum Act CAP 350, Laws of the Federation of Nigeria as amended, to a lessee to search for, win, work, carry away and dispose of petroleum.

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Date 23/7/2013

(x) "Oil Prospecting License" ("OPL") means, a license granted by the Minister under the Petroleum Act CAP 350, Laws of the Federation of Nigeria as amended, to a licensee to prospect for petroleum.

(y) "Operating Costs" means, expenditures incurred and obligations made as determined in accordance with Article II of the Accounting Procedure.

(z) "Party" means, either the CORPORATION or the CONTRACTOR and "Parties" means, the CORPORATION and the CONTRACTOR.

(aa) "Petroleum Operations" means, the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company;

(ab) "Petroleum Profit Tax" or "PPT" means, the tax pursuant to the Petroleum Profits Tax Act CAP 354 Laws of the Federation of Nigeria 1990 as amended.

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(ac) "Proceeds" means, the amount in U.S. Dollars determined by multiplying the Realizable Price by the number of Barrels of Available Crude Oil lifted by either Party.

(ad) "Profit Oil" means, the balance of Available Crude Oil after the allocation of Royalty Oil, Tax Oil, and Cost Oil.

(ae) "Realizable Price" means, the price in U.S. Dollars per Barrel determined pursuant to Clause 10.

(af) "Royalty" means, the amount payable pursuant to the Petroleum Act CAP 350 Laws of the Federation of Nigeria and Petroleum (Drilling and Production) Regulations Cap 350, Laws of the Federation of Nigeria 1990, as amended.

(ag) "Royalty Oil" means, the quantum of Available Crude Oil that will generate an amount of Proceeds equal to the actual payment of Royalty and Concession Rentals.

(ah) "Senior Supervisory Personnel" means, with respect to a CONTRACTOR, or any of its Affiliates providing services, any senior supervisory employee who functions in Petroleum Operations and who is in charge of on-site drilling, construction, production, installations or facilities and related operations, or any other field operations, or employee who functions at a management level equivalent to or superior to the

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described positions, any person to whom such person reports (such as an officer or director of such CONTRACTOR or of any such Affiliate of the CONTRACTOR).

(a) "Tax Oil" means, the quantum of Available Crude Oil allocated to the CORPORATION which will generate an amount of Proceeds equal to the actual payment of PPT.

(aj) "Work Programme" means, the statement itemizing the Petroleum Operations to be carried out in the Contract Area for the applicable period as defined in Clause 6.

(ak) "Year" means, a period of twelve (12) consecutive months according to the Gregorian Calendar.

Reference to the singular includes a reference to the plural and vice versa.

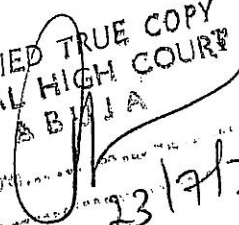
The headings used in this Contract are for convenience only and shall not be used to construe or interpret the Contract.

CLAUSE 2

BONUS

2.1 Signature/Prospectivity Bonus

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Signature: 

Date: 23/7/2012

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CONTRACTOR shall make payment of the Signature Bonus of two hundred and ten million dollars (US\$ 210 million) as follows:

(a) the sum of one million United States of America dollars (US\$ 1 million) to the Federal Government of Nigeria PTDF Account within thirty (30) days of the execution of this Contract;

(b) the balance of two hundred and nine million dollars (US\$ 209 million) shall be paid into a nominated escrow account, five days after execution of the Escrow Agreement in accordance with the terms agreed between the Parties.

2.2 Production Bonus

CONTRACTOR shall pay to the CORPORATION a Production Bonus as follows: One hundred thousand Barrels (100,000 bbls) or cash equivalent at the attainment of each of the following cumulative production levels:

(a) Fifty Million Barrels (50 MMB)

(b) One Hundred Million Barrels (100 MMB)

2.3 The Production Bonus provided for in Clause 2.2 hereof shall be paid within thirty (30) days of such production level being first attained,

2.4 The CORPORATION may serve the CONTRACTOR a thirty-(30) days notice of revocation, if the CONTRACTOR fails to pay the Bonuses specified in this Clause. At the expiration of the revocation notice, this contract shall terminate forthwith.

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2.5 The Bonuses provided for in this Clause 2 shall not be recoverable as Cost Oil.

CLAUSE 3

SCOPE

- 3.1 This Contract is a Production Sharing Contract, governed in accordance with the terms and provisions hereof. Petroleum Operations and provision of financial and technical requirements by the CONTRACTOR under this Contract shall be with the prior approval of the CORPORATION as required in Clauses 7.2(e) and (f), 12.1, 18, 19.2 and Annex E, Article 1.3 (a) and (b) and Articles 3.3, 3.6, and 5.6, and any other clause requiring approval of CORPORATION under this Contract. The CORPORATION, as holder of all rights in and to the Contract Area, hereby appoints and conveys to the CONTRACTOR, the exclusive right to conduct Petroleum Operations in the Contract Area.
- 3.2 During the term of this Contract the total Available Crude Oil shall be allocated to the Parties in accordance with the provisions of Clause 9, the Accounting Procedure (Annex B) and the Allocation Procedure (Annex C).
- 3.3 The CONTRACTOR together with its Affiliates shall provide funds and bear interest on funds, in addition to bearing the

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risk of Operating Costs and the risk required to carry out Petroleum Operations and shall therefore have an economic interest in the development of Crude Oil and Natural Gas.

3.4 The CONTRACTOR is engaged in Petroleum Operations pursuant to Petroleum Profits Tax Act Cap 354 Laws of the Federation of Nigeria 1990 ("PPT Act") as amended and accordingly, the Companies Income Tax Act 1979 Cap 60 Laws of the Federation of Nigeria 1990, as amended, shall have no application.

CLAUSE 4

TERM

4.1 (a) The term of this Contract, subject to Clauses 4.1 (c) 19 and 21 herein, shall be for thirty (30) years from the Effective Date, inclusive of ten (10) years exploration period under the OPL and twenty (20) years OML period.

(b) At the end of the twenty (20) year OML period, the CORPORATION shall seek the maximum allowed renewal period of the OML subject to the performance of all the CONTRACTOR's obligations, to the satisfaction of the CORPORATION during the expiring period of the OML. If such renewal is granted, this

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Contract shall be extended for the duration of such renewal at the option of either Party.

- (c) If pursuant to the provisions of Clause 6.5 herein, CORPORATION obtains a new OPL over the Contract Area or an extension thereof, the Contract shall be extended for the term of such extension or new OPL; and the terms of the Contract shall continue to apply mutatis mutandis for the period of such extension.

CLAUSE 5

EXCLUSION OF AREAS

- 5.1 Subject to Clauses 6.5, 19, and 21, the duration of the OPL relating to this Contract shall be for a period of ten (10) years from the Effective Date. At the end of the OPL period, CONTRACTOR shall relinquish fifty per cent (50%) of the Contract Area in accordance with the Regulations

CLAUSE 6

CLAUSE 6 - WORK PROGRAMME AND EXPENDITURE

- 6.1 Within two (2) months after the Effective Date and thereafter at least three (3) months prior to the beginning of each year the CONTRACTOR shall prepare and submit for review and approval by the Management Committee, pursuant to Clause

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7, a Work Programme and Budget for the Contract Area setting forth the Petroleum Operations which CONTRACTOR proposes to carry out during the ensuing year, or in case of first Work Programme and Budget, during the remainder of the current year. The Management Committee shall review and approve such Work Programme and Budget in accordance with Clause 7.4(e) prior to submission of the Work Programme and Budget to the Ministry.

6.2 The minimum Work Programme to be executed by the CONTRACTOR during the exploration period of this Contract shall be as follows:

(a) First (1ST) Phase - Contract Years 1 to 5:
CONTRACTOR shall acquire from PGS and process a minimum of 2,500 square kilometer of 3D seismic and drill two (2) wells.

(b) Second (2nd) Phase- Contract Years 6 to 10:
CONTRACTOR shall drill one (1) well and if on the assessment of the Management Committee, it has made a potentially commercial discovery, then it shall drill one (1) additional well which shall be an appraisal well.

Subject to Clause 6.5, if at the end of any of the phases the CONTRACTOR should perform less than the minimum Work Programme required, the amount of money left outstanding under the performance bond required pursuant to Clause 6.4 shall be forfeited and paid to the CORPORATION.

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6.3 If CONTRACTOR completes the minimum Work Programme stipulated in any of the above phases as described in Clause 6.2 (a), or (b) respectively, CONTRACTOR shall have the right to terminate the Contract at the end of each of the above phases, as provided in Clause 19.6. Subject to Clause 6.5, if CONTRACTOR fails to fully execute the minimum Work Programme in any phase, then CORPORATION shall have the right to terminate this Contract, as provided in Clause 19.1(b).

6.4 (a) Within forty five (45) days after the Effective Date of this Contract, CONTRACTOR shall submit to the CORPORATION a performance bond (in the form attached and marked Annex F) for the first phase of the exploration period as security for the performance by CONTRACTOR of the minimum Work Programme stipulated for the first phase. The performance bond shall be in an agreed format from a reputable international bank acceptable to the CORPORATION.

(b) The above obligation of CONTRACTOR to submit a performance bond as a security shall be separately fulfilled by the CONTRACTOR in respect of the second phase of the exploration period, following its entry into the said phase.

(c) For the first phase, the performance bond shall be in the amount of Sixty million U.S. Dollars (\$60,000,000) and for the second phase in the amount of Thirty million U.S. Dollars (\$30,000,000).

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(d) The amount of the performance bond submitted by the CONTRACTOR for each phase shall be reduced annually based on the monetary expenditures CONTRACTOR has incurred in the previous year of such phase and shall terminate at the end of each phase, if the minimum work therefore has been performed.

6.5 In the event CONTRACTOR is unable to carry out its obligations under this Clause 6 or any other provision of the Contract as a result of an Order of Court or other proceedings before any other constituted authority affecting OPL 245 and/or the Contract Area, then upon notification to the CORPORATION, the time for the performance of such CONTRACTOR 's obligations shall be extended for a period equal to the period during which CONTRACTOR was unable to carry out such obligations, and the CONTRACTOR shall not be in default of such obligations under this Contract. If such extension falls outside the statutory OPL period, CORPORATION shall seek an extension of the OPL or obtain a new OPL over the Contract Area to commence immediately upon the expiration of the original statutory OPL term.

CLAUSE 7 - MANAGEMENT COMMITTEE

7.1 A Management Committee shall be established within thirty (30) days from the date of execution of this Contract for the purpose of providing orderly direction of all matters pertaining to the Petroleum Operations and Work Programme.

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7.2 The powers and duties of the Management Committee shall include but not limited to the following:

- (a) the revision, and approval of all proposed Work Programmes and Budgets in accordance with Clauses 6.1 and 7.4(e);
- (b) the revisions, and approval of any proposed recommendations made by either Party or by any sub-committee, pursuant to Clause 7.7 with respect to Petroleum Operations;
- (c) ensuring that the CONTRACTOR carries out the decisions of the Management Committee and conducts Petroleum Operations pursuant to this Contract;
- (d) the consideration and decision on matters relating to the relinquishment of areas in the Contract Area pursuant to Clause 5; and in accordance with the petroleum laws;
- (e) settlement of claims and litigation in excess of five hundred thousand Naira (N500,000) or the equivalent thereof in Foreign Currency, or such other amount as may be approved by the Management Committee in so far as such claims are not covered by policies of insurance maintained under this Contract provided, however, that such settlements which exceed ten

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million Naira (N10,000,000) shall be with the approval of the CORPORATION;

(f) consideration and approval of the sale or disposal of any items or movable property relating to Petroleum Operations in accordance with the provisions of this Contract, except for items of historic costs of less than One hundred thousand (N100,000) Naira (or such other amount as may be approved by the Management Committee) provided that any intention to sell or dispose of fixed assets shall be referred to the CORPORATION;

(g) settlement of unresolved audit exceptions arising from audits as provided for in Clause 14.3 of this Contract;

(h) ensuring that the CONTRACTOR implements the provisions of the Accounting Procedure (Annex B), the Lifting Procedure (Annex D), and the Procurement and Project Implementation Procedures (Annex E) and all amendments and revisions thereto as agreed by the Parties;

(i) any other matters relating to Petroleum Operations except:

(i) those matters, reserved to the Parties in their respective rights pursuant to Clause 8; or

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(ii) those matters elsewhere provided for in this Contract;

(j) consideration and approval of the sale, disposal or exchange of information to third parties other than routine exchange of seismic data and other such data commonly exchanged within the industry; and

(k) consideration and determination of any other matter relating to the Petroleum Operations which may be referred to it by any Party (other than any proposal to amend this Contract) or which is otherwise designated under this Contract for reference to it.

7.3 (a) The Management Committee shall consist of ten (10) persons appointed by the Parties as follows:

- CORPORATION - 5
- CONTRACTOR - 5

(b) Each Party shall designate by notice in writing to the other Party, the names of its representatives to serve as members of the Management Committee as provided in Clause 7.3(a) hereof and their respective alternates, which members or alternates shall be authorised to represent that Party with respect to the decisions of the Management Committee. Such notice shall give the names, titles and addresses of the designated members and alternates.

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(c) At least fourteen (14) working days prior to each scheduled Management Committee meeting, the secretary shall provide an agenda of matters, with briefs, to be considered during such meeting. Any Party desiring to have other matters placed on the agenda shall give notice to the other Party not less than seven (7) working days prior to the scheduled meeting. No other matter may be introduced into the agenda thereafter for deliberation at the meeting unless mutually agreed by the Parties. No agenda shall be required in the event of an emergency meeting called pursuant to Clause 7.4(b).

(d) Either Party may change any of its respective members or alternates as described in Clause 7.3(b) from time to time by notifying the other Party in writing not less than ten (10) days in advance of the effective date of such change.

(e) The CORPORATION shall appoint one of its five (5) members as the chairman of the Management Committee and the CONTRACTOR shall appoint the secretary. The secretary shall not be a member of the Management Committee but shall keep minutes of all meetings and records of all decisions of the Management Committee. The minutes of each meeting shall be approved by the Management Committee at the next meeting and copies thereof shall be supplied

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to the Parties. In addition, the secretary shall at each meeting, prepare a written summary of any decision made by the Management Committee for approval and signature by the Parties.

7.4 (a) Not later than the twenty-eighth (28th) day of February of each Year, the chairman shall prepare and forward to the Parties, a calendar of meetings as agreed by the Management Committee for that Year.

(b) The Management Committee shall meet at least once every four (4) calendar months, or at such other intervals or venue as may be agreed by the Management Committee and, in addition, whenever requested by either Party by giving at least twenty-one (21) days notice in writing to the other Party which notice shall specify the matter or matters to be considered at the meeting; or, when summoned by the chairman or by the CONTRACTOR as an emergency meeting for which no specified notice period shall be required.

(c) The quorum for any meeting of the Management Committee shall consist of a minimum of three (3) representatives of the CORPORATION and three (3) representatives of the CONTRACTOR. The chairman or his alternate and the CONTRACTOR's designated lead representative or his alternate must be present at every Management Committee meetings for a quorum to be

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formed. If no such quorum is present, the chairman shall call another meeting of the Management Committee giving at least fourteen (14) days written notice of such meeting.

(d) The secretary shall in consultation with the chairman convene all meetings of the Management Committee other than emergency meetings.

(e) Within eight (8) weeks after the submission of a Work Programme and Budget by the CONTRACTOR, the Management Committee shall meet to consider and approve such submissions. Should the CORPORATION wish to propose a revision as to certain specific features of the said Work Programme and Budget, it shall within eight (8) weeks after receipt of such Work Programme and budget so notify the CONTRACTOR in writing specifying in reasonable detail the changes requested and its reasons thereof. The Management Committee shall resolve the request for revisions proposed by the CORPORATION. If the CORPORATION has not proposed any revisions in writing within eight (8) weeks, then the said Work Programme and Budget as submitted shall be approved by resolution of the Management Committee. Any portion of a Work Programme about which the CORPORATION has not proposed a revision shall in so far as possible be carried out as prescribed therein.

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7.5 (a) Except as may be expressly provided for in this Contract, the Management Committee shall determine and adopt rules to govern its procedures.

(b) Members attending a meeting of the Management Committee may be accompanied by advisers and experts to the extent reasonably necessary to assist with the conduct of such meeting. Such advisers and experts shall not vote or in any way participate in decisions, but may contribute in a non-binding way to discussions or debates of the Management Committee.

(c) Except as otherwise expressly provided in this Contract all decisions of the Management Committee shall be made by the unanimous vote of the Parties. If unanimity is not obtained on any matter (including any matter pertaining to a Work Programme or Budget proposed by the CONTRACTOR) submitted to the Management Committee, then the Management Committee shall meet again to attempt to resolve such matter not later than fourteen (14) days after the meeting in which the proposed matter failed to be resolved. Any portion of such proposal that is resolved shall in so far as possible be carried out. At least seven (7) days prior to such second meeting, the Party casting the dissenting vote shall provide to the other Party in writing in reasonable detail the reasons for such dissenting vote. If such reasons are not provided at least seven (7) days prior to such second meeting,

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then the proposal shall be deemed approved. In such second meeting the agenda shall comprise of such written reasons as provided by the dissenting Party. If unanimity is not obtained in the second meeting, then the Management Committee shall meet a third time within fourteen (14) days after the second meeting. If unanimity is not obtained in the third meeting then the CORPORATION and the CONTRACTOR may agree to appoint an independent qualified expert to advise on the matter, which advice shall be binding on the Parties. In the event of failure of the Parties to agree to the appointment of the said expert, the provisions of Clause 24 shall apply.

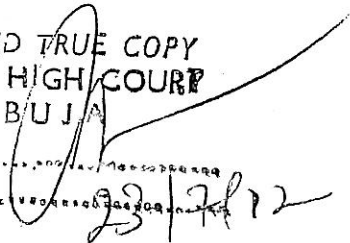
(d) The Parties shall be bound by, and abide by, each decision of the Management Committee duly made in accordance with the provisions of this Contract.

7.6 Any matter which is within the powers and duties of the Management Committee may be determined by the Management Committee without a Management Committee meeting if such matter is submitted in writing by either Party to the other Party with due notice and with sufficient information regarding the matter to be determined so as to enable the Parties to make an informed decision with respect to such matter. The other Party to whom the information is submitted shall agree in writing with the proposed request for the said decision to be carried out subject further to the provision of Clause 7.6(d) herein

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(a) Except for urgent matters referred to in Clause 8.1(p), each Party shall cast its vote with respect to such matter within twenty-one (21) days of receipt of such notice and such manner of determination shall be followed unless a Party objects, within fourteen (14) days of receipt of such notice, to having the matter determined in such manner. If any Party fails to vote by the expiry of the twenty-one (21) days period for voting, it shall be deemed to have voted in the affirmative. The secretary shall promptly advise the Parties of the results of such vote and the secretary shall draft a resolution to be signed as soon as possible by the Parties.

(b) Each Party shall nominate one of its officers as its representative from whom the other Party may seek binding decisions on urgent matters, including, but not limited to ongoing drilling operations, by e-mail, by telephone, registered or hand delivered, letter, facsimile transmission, or in person and advise each other in writing of the persons so nominated and any changes thereof.

(c) The decisions made pursuant to this Clause 7.6 shall be recorded in the minutes of the next scheduled meeting of the Management Committee, and shall be binding upon the Parties to the same extent as if the matter had been determined at a meeting of the Management Committee.

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7.7 The Management Committee shall establish exploration and technical sub-committees and any other advisory sub-committees, as it considers necessary from time to time such as finance and budget, and legal services sub-committees:

(a) Each sub-committee established pursuant to Clause 7.7 shall be given terms of reference and shall be subject to such direction and procedures as the Management Committee may give or determine.

(b) The Management Committee shall appoint the members of the sub-committee, which shall be comprised of equal representation from the Parties. The chairman and the secretaries of the sub-committees shall be appointed by the Management Committee.

(c) The deliberations and recommendations of any sub-committee shall be advisory only and shall become binding and effective upon acceptance by the Management Committee.

RELATIONS OF THE PARTIES **CLAUSE 8 - RIGHTS AND OBLIGATIONS OF THE PARTIES**

8.1 In accordance with this Contract, the CONTRACTOR shall:

(a) provide all necessary funds for payment of Operating Costs including, but not limited to, funds required to

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provide all materials, equipment, supplies, and technical requirements (including personnel) purchased, paid for or leased in Foreign Currency;

(b) provide such other funds for the performance of Work Programmes including payments to third parties who perform services in accordance with terms contained therein as sub-contractors;

(c) prepare Work Programmes and Budgets and carry out approved Work Programmes in accordance with internationally acceptable petroleum industry practices and standards with the objective of avoiding waste and obtaining maximum ultimate recovery of Crude Oil at minimum costs;

(d) ensure that all leased equipment paid for in Foreign Currency and brought into Nigeria for Petroleum Operations are treated in accordance with the terms of the applicable leases;

(e) have the right of ingress to and egress from the Contract Area and to and from facilities therein located at all times during the term of this Contract;

(f) submit to the CORPORATION for permanent custody copies of all geological, geophysical, drilling, well production, operating and other data and reports as it may compile during the term hereof and at the end of

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the Contract surrender all original data and reports to the CORPORATION;

(g) prepare estimated and final PPT returns and submit same to the CORPORATION on a timely basis in accordance with the PPT Act;

(h) have the right to lift in accordance with Annex D and freely export and to retain abroad the receipts from the sale of Available Crude Oil allocated to it here under;

(i) prepare and carry out plans and programmes for industry training and education of Nigerians for all job classifications with respect to Petroleum Operations in accordance with the Petroleum Act Cap 350 Laws of the Federation of Nigeria 1990, as amended;

(j) employ only such personnel as required to conduct the Petroleum Operations in a prudent and cost effective manner giving preference to Nigerian citizens;

(k) give preference to such goods which are available in Nigeria or services that can be rendered by Nigerian nationals, provided they meet the specifications and the standards of the goods and services;

(l) the CONTRACTOR and its sub-contractors shall, as the case may be, pay all customs duties and like charges as are imposed by law in Nigeria, subject to the provisions

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of this Contract, CONTRACTOR and its sub-contractors shall not be treated differently from any other companies and their sub-contractors engaged in similar Petroleum Operations in Nigeria;

(m) indemnify and hold the CORPORATION harmless against all losses, damages, injuries, expenses, actions of whatever kind and nature including but not limited to legal fees and expenses suffered by any third party where such loss, damage, injury is as the result of Gross Negligence of the CONTRACTOR or its sub-contractors except where such losses are shown to result from any action or failure to act on the part of the CORPORATION.

(n) indemnify and hold the CORPORATION harmless against all losses, damages, injuries, expenses, actions of whatever kind and nature suffered by the CORPORATION where such loss, damage or injury is as the result of Gross Negligence of the CONTRACTOR or its sub-contractors except where such losses are shown to result from any action or failure to act on the part of the CORPORATION, provided however, that for Gross Negligence, the CONTRACTOR shall not be liable to the CORPORATION for any consequential losses or consequential damages, including lost production or lost profits.

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(o) determine with the CORPORATION the technical and cost aspects of any field development under this Contract and thereafter agree with the CORPORATION on the development decision prior to the development of a field in the Contract Area;

(p) not exercise all or any rights or authority over the Contract Area in derogation of the rights of the CORPORATION;

(q) in the event of any emergency requiring immediate operational action, take all actions it deems proper or advisable to protect the interests of the Parties and any costs so incurred shall be included in the Operating Costs. Prompt notification of any such action taken by the CONTRACTOR and the estimated cost shall be given to the CORPORATION within forty-eight (48) hours of the event. The notice shall be given to the CORPORATION within forty eight (48) hours of when the CONTRACTOR became aware of the event, if the CONTRACTOR can demonstrate to the satisfaction of the CORPORATION that it was not aware of the event at the time the event occurred. If the CORPORATION is not notified within the period of forty eight (48) hours, then the CONTRACTOR shall be solely responsible for the costs incurred for such operational action between the end of the forty eight (48) hour notice period and the actual time of receipt of the notice by the CORPORATION; such costs shall not be recoverable as

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Operating Costs. If the CORPORATION is not provided with a cost estimate within seven (7) days from the event or from the date CONTRACTOR became aware of the event, then the costs of such operational action shall not be recoverable as Operating Cost;

(r) provide CORPORATION with a copy of the duly executed joint operating agreement between the Contractor Parties within 30 days of its execution. If CONTRACTOR executes a heads of agreement prior to executing such joint operating agreement, a copy of it will be provided to CORPORATION within thirty (30) days of its execution;

(s) submit to the CORPORATION technical and economic data, or other relevant information generated by the Operator and furnished to CONTRACTOR relating to the Contract Area, as and when required by the CORPORATION, provided, however, CONTRACTOR shall not be required to submit its internal proprietary or confidential information which are not directly related to this PSC.

8.2 In accordance with this Contract, the CORPORATION shall:

(a) pay to the Government in a timely manner, all bonuses, Royalties, Concession Rentals and PPT accruing out of Petroleum Operations and indemnify and hold the CONTRACTOR harmless against all losses, damages,

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expenses, actions of whatever kind and nature including but not limited to legal fees and expenses suffered by the CONTRACTOR as a result of any failure to so timely pay;

(b) with its professional staff assigned pursuant to Clause 13 jointly work with the CONTRACTOR's professional staff in the Exploration, Petroleum Engineering, Facilities/Material, Legal, Finance and Environmental and Safety Departments and other areas in the Petroleum Operations;

(c) assist and expedite the CONTRACTOR's execution of Petroleum Operations and Work Programmes including, but not limited to, assistance in supplying or otherwise making available all necessary visas, work permits, rights of way and easements as may be requested by the CONTRACTOR (expenses incurred by the CORPORATION at the CONTRACTOR's request in providing such assistance shall be reimbursed to the CORPORATION by the CONTRACTOR in accordance with Clause 11.1 herein). The CONTRACTOR shall include such reimbursements in the Operating Costs; which reimbursement will be made against the CORPORATION's invoice and shall be in U.S. Dollars computed at the rate of exchange published by the Central Bank of Nigeria or the Federal Ministry of Finance on the date the expense was incurred);

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(d) have the right to recover from CONTRACTOR all costs approved by the Management Committee which are reasonably incurred for purposes of Petroleum Operations in the Contract Area;

(e) have title to all original data resulting from the Petroleum Operations including but not limited to geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data as the CONTRACTOR may compile during the term hereof, provided however, that the CONTRACTOR shall keep and use such original data during the term of this Contract and the CORPORATION shall have access to such original data during the term of this Contract;

(f) not exercise all or any of its rights or authority over the Contract Area in derogation of the rights of the CONTRACTOR; and

(g) the CORPORATION shall apply for conversion of the OPL to OML and shall exercise all the rights and comply with all the obligations of the Licensee or Lessee under the Petroleum Act Cap 350 Laws of the Federation of Nigeria, 1990.

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CLAUSE 9 - RECOVERY OF OPERATING COSTS AND CRUDE OIL ALLOCATION

9.1 The allocation of Available Crude Oil shall be in accordance with the Accounting Procedure (Annex B), the Allocation Procedure (Annex C) and this Clause 9 as follows:

- (a) Royalty Oil shall be allocated to the CORPORATION in such quantum as will generate an amount of Proceeds equal to the actual Royalty payable during each month and the Concession Rental payable annually;
- (b) Cost Oil shall be allocated to the CONTRACTOR in such quantum as will generate an amount of Proceeds sufficient for recovery of Operating Costs in OPL245 and any OML(s) derived therefrom after allocation of Royalty Oil to the CORPORATION. All costs will be recovered in U.S. Dollars through Cost Oil allocation;
- (c) Tax Oil shall be allocated to the CORPORATION in such quantum as will generate an amount of Proceeds equal to the PPT liability payable during each month;
- (d) If the quality of the seismic is approved by the Management Committee, reasonable seismic acquisition and processing costs confirmed by Department of Petroleum Resources of the Ministry and, committed to or incurred on the relevant OPL prior to the Effective Date of this Contract shall be

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recoverable and count toward satisfying the minimum Work Programme.

- (e) Profit Oil, being the balance of Available Crude Oil after deducting Royalty Oil, Tax Oil, and Cost Oil, shall be allocated to each Party pursuant to Schedule B-2 Section D of the Accounting Procedure (Annex B) as follows:

Cumulative Production (MMB) from Contract Area	PROFIT OIL PERCENTAGES	
	CONTRACTOR	CORPORATION
0 - 350	70	30
351 - 750	65	35
751 - 1000	52.5	47.5
1001 - 1500	45	55
1501 - 2000	35	65
Greater than 2000	Negotiable	

In the event of a discovery of a field which cannot be economically developed at the above Profit Oil splits, the Parties shall meet to agree on the appropriate terms and conditions and Profit Oil splits which would provide for the development of such discovery to the economic benefit of the Parties.

- 9.2 Each Party shall take in kind, lift and dispose of its allocation of Available Crude Oil in accordance with the Lifting

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Procedure (Annex D). In the event of any reconciliation, the records of the Ministry of Petroleum Resources shall be the official records.

9.3 Allocation of Royalty Oil and Tax Oil to the CORPORATION shall be applied towards the liabilities of the CONTRACTOR and the CORPORATION for Royalty, Concession Rentals, and PPT and the Proceeds therefrom shall be paid to the Government by the CORPORATION on behalf of both Parties.

9.4 Either Party may at the request of the other, lift the other Party's Available Crude Oil pursuant to Clause 9.2 and the lifting Party within sixty (60) days shall transfer to the account of the non-lifting Party the Proceeds of the sale to which the non-lifting Party is entitled. Overdue payments shall bear interest at the rate of one (1) month LIBOR plus two (2%) percent.

9.5 The CONTRACTOR may purchase any portion of the CORPORATION's allocation of Available Crude Oil from the Contract Area under the CORPORATION's terms and conditions including valuation and pricing of the Crude Oil as applicable to third party buyers of the CORPORATION's Crude Oil.

9.6 The Parties shall meet on a monthly or quarterly basis to reconcile all Crude Oil produced, allocated and lifted during the period in accordance with Article III (7) of Annex D.

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CLAUSE 10 - VALUATION OF AVAILABLE CRUDE OIL

10.1 Available Crude Oil allocated to each Party shall be valued in accordance with the following procedures:

(a) On the attainment of commercial production, each Party shall engage the services of an independent laboratory of good repute to determine the assay of the new Crude Oil.

(b) When a new Crude Oil stream is produced, a trial marketing period shall be designated which shall extend for the first six (6) months period during which such new stream is lifted or for the period of time required for the first ten (10) liftings, whichever is longer. During the trial marketing period the Parties shall:

- (i) collect samples of the new Crude Oil upon which the assays shall be performed as provided in Clause 10.1 (a) above;
- (ii) determine the approximate quality of the new Crude Oil by estimating the yield values from refinery modelling;
- (iii) share in the marketing such that each Party markets approximately an equal amount of the

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new Crude Oil and to the extent that one Party lifts the other Party's allocation of Available Crude Oil, payments thereof, shall be made in accordance with Clause 9.4;

- (iv) provide information to a third party who shall compile the information and maintain all individual Party information confidential with regards to the marketing of the new Crude Oil including documents which verify the sales price and terms of each lifting;
 - (v) apply the actual F.O.B. sales price to determine the value for each lifting which F.O.B. sales pricing for each lifting shall continue after the trial marketing period until the Parties agree to a valuation of the new Crude Oil but in no event longer than ninety (90) days after conclusion of the trial marketing period.
- (c) As soon as practicable but in any event not later than sixty (60) days after the end of the trial marketing period, the Parties shall meet to review the assay, yield, and actual sales data. Each Party may present a proposal for the valuation of the new Crude Oil. A valuation formula for the Realizable Price shall be agreed to by the Parties not later than nine (9) months after the first lifting. Such valuation formula shall be in accordance with the Realizable Price provisions

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established by the Management Committee. It is the intent of the Parties that such prices shall reflect the true market value based on arm's length transactions for the sale of the new Crude Oil. The valuation formula as determined hereinbefore (including the product yield values) shall be mutually agreed within thirty (30) days of the aforementioned meeting failing which, determination of such valuation shall be as provided in Clause 10.2.

(d) Upon the conclusion of the trial marketing period, the Parties shall be entitled to lift their allocation of Available Crude Oil pursuant to Clause 9 and the Lifting Procedure.

(e) When a new Crude Oil stream is produced from the Contract Area and is commingled with an existing Crude Oil produced in Nigeria, which has an established Realizable Price basis, then such basis shall be applied to the extent practicable for determining the Realizable Price of the new Crude Oil. The Parties shall meet and mutually agree on any appropriate modifications to such established valuation basis, which may be required to reflect any change in the market value of the Crude Oils as a result of commingling.

10.2 If in the opinion of either Party an agreed price valuation method falls to reflect the market value of a Crude Oil produced in the Contract Area, then such Party may propose

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to the other Party modifications to such valuation method once in every six (6) months but in no event more than twice in any Year. The Parties shall then meet within thirty (30) days of such proposal and mutually agree on any modifications to such valuation within thirty (30) days from such meeting, failing which, determination of such valuation shall be referred to a mutually agreed independent expert for his opinion.

10.3 Segregation of Crude Oils of different quality and/or grade shall be by agreement of the Parties taking into consideration, among other things, the operational practicality of segregation and the cost benefit analysis thereof. If the Parties agree on such segregation the following provisions shall apply:

- (a) Any and all provisions of the Contract concerning valuation of Crude Oil shall separately apply to each segregated Crude Oil produced;
- (b) Each grade or quality of Crude Oil produced and segregated in a given Year shall contribute its proportionate share to the total quantity designated in such Year as Royalty Oil, Tax Oil, Cost Oil and Profit Oil.

CLAUSE 11 - PAYMENT

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11.1 The method of payment of any sum due from the CONTRACTOR to the CORPORATION and vice versa shall be in accordance with the prevailing guidelines of the Federal Ministry of Finance and of the Central Bank of Nigeria and in accordance with the Accounting Procedure, Annex B.

11.2 Unless so otherwise provided herein, any payment which the CORPORATION is required to make to the CONTRACTOR or which the CONTRACTOR is required to make to the CORPORATION pursuant to this Contract shall be made within thirty (30) days following the end of the month in which the obligation to make such payments occurs. Overdue payments shall bear interest at the annual rate of one (1) month LIBOR plus two (2%) percent.

11.3 Each Party shall have the right of set off against the other Party for sums due and payable to the other Party under this Contract agreed sums past due under this Clause, provided that no set-off shall be made without prior notice of thirty (30) days and written consent of the other Party.

CLAUSE 12 - TITLE TO EQUIPMENT/ABANDONMENT

12.1 The CONTRACTOR shall finance the cost of purchasing all equipment to be used in Petroleum Operations in the Contract Area pursuant to the Work Programme and such equipment shall become the property of the CORPORATION on arrival in Nigeria. The CONTRACTOR and the CORPORATION shall have the right to use such equipment

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exclusively for Petroleum Operations in the Contract Area during the term of this Contract. Should the CORPORATION desire to use such equipment outside the Contract Area, such use shall be subject to terms and conditions agreed by the Parties, provided that it is understood that Petroleum Operations hereunder shall take precedence over such use by the CORPORATION. The CONTRACTOR shall only lease equipment with the approval of the CORPORATION, such approval not to be unreasonably withheld if such lease is in the best interest of the Petroleum Operations.

12.2 The CONTRACTOR's right to use such purchased equipment shall cease with the termination or expiration (whichever is earlier) of this Contract.

12.3 The provisions of Clause 12.1 with respect to the title of property passing to the CORPORATION shall not apply to leased equipment belonging to local or foreign third parties, and such equipment may be freely exported from Nigeria in accordance with the terms of the applicable lease.

12.4 Title to all lands purchased or otherwise acquired by the CONTRACTOR for the purposes of Petroleum Operations and all movable property utilized in the Contract Area and incorporated permanently in any premises, location and structures for the purpose of Petroleum Operations hereunder shall be in the name of the CONTRACTOR AND CORPORATION. Upon cost recovery of the costs of such property, the CORPORATION shall take full title of such

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lands and property relating to Petroleum Operations under the Contract on a "where is as is" basis. CONTRACTOR shall hand over such lands and property within thirty (30) days.

12.5 Subject to Clause 12.2 hereof, all fixed assets purchased or otherwise acquired by the CONTRACTOR for the purposes of Petroleum Operations hereunder shall become the property of the CORPORATION. Upon termination of this Contract pursuant to Clause 19 the CONTRACTOR shall hand over possession of such fixed assets to the CORPORATION.

12.6 During the term of this Contract, any agreed sales of equipment, land, fixed assets, materials and machinery acquired for the purpose of the Petroleum Operations hereunder shall be conducted by the CONTRACTOR on the basis of the highest price obtainable and the proceeds of such sale shall be credited to the Petroleum Operations.

12.7 Abandonment

Abandonment costs will be estimated on a field basis and on the basis of technical studies by the CONTRACTOR to be agreed by the Management Committee. The CONTRACTOR shall either (i) provide security, with prior approval of the CORPORATION which shall not be unreasonably withheld, in the form of a standby letter of credit or corporate or bank guarantee, or (ii) set aside an

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abandonment fund in U.S. Dollars to be held in an interest-bearing escrow account jointly established by the Parties at a first class commercial bank. The bank so designated shall have a long term rating of not less than "AA" by Standard and Poor's Corporation or "Aa2" by Moody's Investor Service or a comparable rating by another mutually agreed rating service. Preference shall be given to banks in Nigeria possessing the required rating.

The abandonment fund shall be set aside commencing at a time and at a rate to be agreed by the Management Committee. Such rate shall take into account the relationship between the estimated total abandonment cost and the anticipated production revenues, and shall be reviewed on an annual basis as part of the budgeting process.

The abandonment fund shall be used solely for the purposes of paying for decommissioning and abandonment operations. No Party shall mortgage, pledge, encumber or otherwise use such abandonment fund for any purpose whatsoever except as expressly provided herein. The abandonment fund may be invested only in investments approved by both Parties.

Any balance remaining in the abandonment fund after total abandonment and cost recovery for all fields in the Contract Area shall revert to the CORPORATION.

CLAUSE 13 - EMPLOYMENT AND TRAINING OF PERSONNEL

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13.1 Each Calendar Year, the Operator shall submit a detailed programme for recruitment and training for the following Calendar Year in respect of the Nigerian personnel of Operator in accordance with the Petroleum Act CAP 350 Laws of the Federation 1990 and a detailed account of the attainment of the percentages of Nigerian employees specified in Clause 13.3 (b)

13.2 Qualified Nigerians shall be employed in all non-specialized positions.

13.3 (a) Qualified Nigerians shall also be employed in specialized positions such as those in exploration, drilling, engineering, production, environmental, safety, finance etc. The OPERATOR shall have the right, subject to applicable laws, rules and regulations, to employ non-Nigerians in such specialized positions where qualified Nigerians are not available provided that the OPERATOR shall recruit and train Nigerians for such specialized positions, such that the number of non-Nigerian staff shall be kept to a minimum.

(b) The Operator shall ensure that:

(i) ten (10) Years from the Effective Date of this Contract the number of citizens of Nigeria employed by the Operator in connection with the Petroleum Operations in managerial, professional and supervisory positions shall reach at least

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seventy five (75%) percent of the total number of persons employed by Operator in those positions. The Operator shall further ensure that at the 15th and 20th Year after the Effective Date of this Contract, the minimum level of the total number of Nigerian citizens engaged in Petroleum Operations in managerial, supervisory and other professional positions shall reach eighty (80%) percent and eighty five (85%) percent respectively; and

- (ii) all skilled, semi-skilled and unskilled workers employed by the Operator are citizens of Nigeria.

13.4 Pursuant to Clause 8.3(b) competent professionals of the CORPORATION shall be assigned to work with the Operator and such personnel and the Operator's personnel shall not be treated differently with regards to salaries and other benefits. Operator and CORPORATION shall mutually agree on the numbers of CORPORATION's staff to be assigned to the Petroleum Operations. The costs and expenses of such CORPORATION personnel shall be included in Operating Costs.

13.5 The Management Committee shall agree on the organization chart of the Operator which shall include Nigerian and non-Nigerian staff in key positions.

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13.6 No Nigerian employed under this Contract shall be disengaged without the prior written approval by the Ministry of Petroleum Resources or other designated government agency; as may be required by applicable laws and regulations. Request for such approval shall be made through the CORPORATION.

CLAUSE 14 - BOOKS AND ACCOUNTS, AUDIT AND OVERHEAD CHARGES


14.1 Books and Accounts

The CONTRACTOR shall be responsible for keeping complete books of accounts consistent with modern petroleum industry and accounting practices and procedures. The statutory books and accounts of this Contract shall be kept in Naira and U.S. Dollars. All other books of accounts as the CONTRACTOR may consider necessary shall be kept in columnar form in both Naira and U.S. Dollars. Officials of the CORPORATION and the CONTRACTOR shall have access to such books and accounts. The accountants of CORPORATION assigned pursuant to Clause 13 shall participate in the preparation of same.

14.2 All statutory books of account shall be kept at the registered address of the CONTRACTOR in Nigeria.

14.3 Audits

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(i) Books of Accounts

The CORPORATION shall have the right to inspect and audit the accounting records relating to this Contract for any Calendar Year by giving thirty (30) days written notice to the CONTRACTOR and the CONTRACTOR shall facilitate the work of such inspection and auditing; provided however that such inspection and auditing shall be carried out within two (2) Calendar Years following the end of the Calendar Year in question, and if not, the books and accounts relating to such Calendar Year shall be deemed to be accepted by the Parties as satisfactory. Any exception must be made in writing within ninety (90) days following the end of such audit and failure to give such written notice within such time shall establish the correctness of the books and accounts.

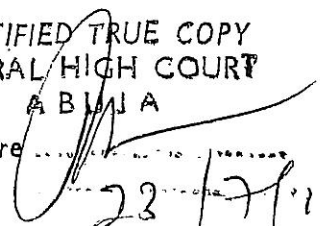
(ii)

The CORPORATION may undertake the inspection and audit in Clause 14.3 (i) above either through its own personnel or through a qualified firm of chartered accountants registered in Nigeria appointed for the purpose by the CORPORATION; provided, however, that the transportation and per diem costs of the CORPORATION's own personnel shall be borne by the CONTRACTOR as general administrative costs and shall be cost recoverable. For the qualified firm of chartered accountants, the costs shall be borne by the CORPORATION.

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(iii) Notwithstanding that the said period of two (2) Calendar Years may have expired, if the CONTRACTOR has been found guilty of Gross Negligence, the CORPORATION shall have the right to conduct further audit to the extent required to investigate such Gross Negligence in respect of any earlier periods; provided, however, that the costs of such investigations shall be borne by the CORPORATION.

(iv) Materials

The CONTRACTOR shall maintain physical and accounting controls of materials in stock in accordance with general practice in the International petroleum industry. The CONTRACTOR shall make a total inventory at least once in a Calendar Year and shall give the CORPORATION a four (4) week written notice prior to such inventory. The CORPORATION and or its external auditors shall be entitled to observe such inventory. The CORPORATION may however carry out partial or total check of such inventories at its own expense, whenever it considers necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.

14.4 Home Office Overhead Charges

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The CONTRACTOR shall include the following percentages on total annual capital expenditure as overhead charges in calculating total Operating Costs:

- First - \$200 million 1% of Capex
- Next - \$200 million 0.75% Capex
- Next - \$100 million 0.5% of Capex
- Above - \$500 million 0%

CLAUSE 15 - ROYALTY AND TAXES

15.1 Royalty

Royalty rates shall be as provided in the Petroleum Act, Cap 350, Laws of the Federation of Nigeria, 1990, as amended, and the prevailing fiscal laws and regulations.

15.2 Petroleum Profits Tax (PPT)

- (a) The PPT shall be in accordance with the Laws of the Federation of Nigeria, 1990 as amended.
- (b) The PPT rate applicable to the Contract Area shall be fifty (50%) percent flat rate of the chargeable profits for the duration of the Contract.

15.3 The CORPORATION shall pay all Royalty, Concession Rentals and PPT on behalf of itself and the CONTRACTOR out of Available Crude Oil allocated to it under Clause 9.1 of this Contract.

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15.4 The Realizable Price established in accordance with Clause 10 of this Contract shall be used in determining the amount payable on Royalty and PPT in respect of Crude Oil produced and lifted pursuant to this Contract. The parameters for new Crude Oil streams produced from the Contract Area shall also be determined in accordance with the provisions of Clause 10 of this Contract.

15.5 The CORPORATION shall make available to the CONTRACTOR copies of receipts issued by the Federal Inland Revenue Service bearing the name of the Party for the payment made for PPT in accordance with each Party's Tax Oil allocation as provided in Annex B Schedule B.1 CORPORATION shall provide to CONTRACTOR a copy of the payment advice within thirty (30) days of issuance.

15.6 Investment Tax Allowance (ITA)

(a) The ITA shall be in accordance with the PPT Act Cap 354 Laws of the Federation of Nigeria, 1990 as amended.

(b) The ITA rate applicable to the Contract Area shall be fifty (50%) percent flat rate for the duration of this Contract.

CLAUSE 16 - INSURANCE

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16.1 All property acquired under the provisions of this Contract shall be adequately insured with an insurance company of good repute by the CONTRACTOR in consultation with the CORPORATION, in the names of the Parties. The premium for such policies shall be included in Operating Costs. All policies shall name the CORPORATION as a co-insured with a waiver of subrogation rights in favour of the CORPORATION.

16.2 In case of loss or damage to property, indemnifications paid by the insurance companies shall be entirely received by the CONTRACTOR for Petroleum Operations. The CONTRACTOR shall determine whether the lost or damaged property should be repaired, replaced or abandoned. If the decision is to repair or replace, the CONTRACTOR shall immediately replace or repair such lost or damaged property. Any excess cost of repair or replacement above the amount reimbursed by the insurance companies shall be regarded as Operating Costs. If the decision is to neither repair nor replace then the proceeds of any coverage shall be credited to Operating Costs. In the event that the loss or damage is attributable to the CONTRACTOR's Gross Negligence the excess cost of replacement or repair shall not be reimbursed as Operating Costs.

16.3 The CONTRACTOR shall take out and maintain an insurance policy covering any and all damages caused to third parties as a direct or indirect result of the CONTRACTOR's Petroleum Operations.

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16.4 All insurance policies under this Clause 16 shall be based on good international petroleum industry practice, and shall be taken out in the Nigerian Insurance market except for those concerning risks for which the CONTRACTOR cannot obtain coverage in Nigeria which shall be taken out abroad, to the extent required by law.

16.5 In entering into contracts with any sub-contractor for the performance of Petroleum Operations, the CONTRACTOR shall require such sub-contractor to take out adequate insurance in accordance with Clauses 16.1 and 16.3 above and to properly indemnify the CORPORATION and the CONTRACTOR for any damage done and to properly indemnify and hold the CORPORATION and the CONTRACTOR harmless against claims from third parties.

16.6 The CONTRACTOR shall maintain other insurance policies required under Nigerian law.

CLAUSE 17 - CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS

17.1 The CONTRACTOR and the CORPORATION shall keep information furnished to each other in connection with Petroleum Operations and all plans, maps, drawings, designs, data, scientific, technical and financial reports and other data and information of any kind or nature relating to Petroleum Operations including any discovery of petroleum

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as strictly confidential, and shall ensure that their entire or partial contents shall under no circumstances be disclosed in any announcement to the public or to any third party without the prior written consent of the other Party.

The provisions of this Clause 17 shall not apply to disclosure to:

- (a) Subcontractors, Affiliates, assignees, auditors, financial consultants or legal advisers, provided that such disclosures are required for the effective performances of the aforementioned recipients' duties related to Petroleum Operations;
- (b) Comply with statutory obligation or the requirements of any governmental agency or the rules of a stock exchange on which a Party's stock is publicly traded in which case the disclosing Party will notify the other Party of any information so disclosed prior to such disclosure.
- (c) Financial Institutions involved in the provision of finance for the Petroleum Operations hereunder provided, in all such cases, that the recipients of such data and information agree in writing to keep such data and information strictly confidential.
- (d) A third party for the purpose of negotiating an assignment of interest hereunder provided such third

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party executes an undertaking to keep the information disclosed confidential.

17.2 The Parties shall take necessary measures in order to make their employees, agents, representatives, proxies and sub-contractors comply with the same obligation of confidentiality provided for in this Clause 17.

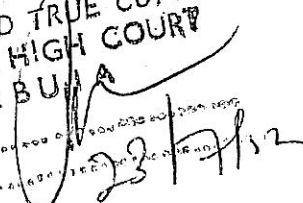
17.3 The provisions of this Clause 17 shall terminate five (5) Years after the expiration of this Contract.

17.4 The Parties shall use best endeavours to ensure that their respective servants, employees, agents and sub-contractors shall not make any reference in public or publish any notes in newspapers, periodicals or books nor divulge, by any other means whatsoever, any information on the activities under the Petroleum Operations, or any reports, data or any facts and documents that may come to their knowledge by virtue of this Contract, without the prior written consent of the other Party.

17.5 The CONTRACTOR shall submit to the CORPORATION all statutory reports and information for submission to Government and other statutory bodies.

CLAUSE 18 - ASSIGNMENT

18.1 CONTRACTOR shall not sell, assign, transfer, convey or otherwise dispose of part or all of its rights and interest under

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this Contract to other parties, including Affiliates, without a prior written notice to and without prior written consent of the CORPORATION which consent shall not be unreasonably withheld.

18.2 If the written consent by the CORPORATION is given, the assigning CONTRACTOR shall be relieved of its liability to the extent of the assignment of its rights and obligations under this Contract.

18.3 Any request for consent to assign or dispose as aforesaid, made by the CONTRACTOR to the CORPORATION shall include the deed of assignment and other relevant information relating to financial and corporate standing of the assignee, and its capability to contribute to the Petroleum Operations under this Contract.

CLAUSE 19 - TERMINATION

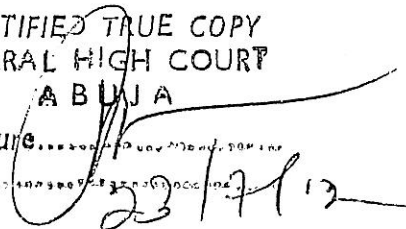
19.1 The CORPORATION shall be entitled to terminate this Contract if any of the following events occur:

- (a) CONTRACTOR defaults in the performance of any of its obligations set forth in Clause 8 herein;
- (b) CONTRACTOR has failed to pay the Bonuses set out in Clause 2 and/or fully execute the minimum Work Programmes described in Clause 6.2;

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(c) CONTRACTOR assigns its rights and interests under this Contract without a prior written notice and prior written consent of the CORPORATION;

(d) CONTRACTOR is adjudged insolvent or bankrupt by a court of competent jurisdiction in Nigeria;

(e) CONTRACTOR liquidates or terminates its corporate existence; or

(f) Warranties made by CONTRACTOR under Clause 23 herein are found to be untrue when made.

(g) If upon Completion under the terms of the Escrow Agreement as agreed between the Parties and made pursuant to clause 2.1. (b) hereof, the Escrow Cash or any part thereof then outstanding is not paid into the FGN Receiving Account as stipulated therein; PROVIDED that such non payment is attributed solely to any act or omission of the CONTRACTOR.

19.2 Termination for any of the events specified in Clause 19.1 (d) and (e) above, shall be with immediate effect and the CORPORATION may by written notice to the CONTRACTOR declare the Contract terminated as to the CONTRACTOR.

19.3 If the cause for termination is an event specified in Clause 19.1(a) the CORPORATION shall give written notice thereof

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to CONTRACTOR to remedy such default within a period not more than thirty (30) days of receipt of CORPORATION's notice or such additional days as the CORPORATION deems appropriate in the circumstances. If upon the expiration of the said period such default has not been remedied or removed, the CORPORATION may by written notice to the CONTRACTOR declare the Contract terminated.

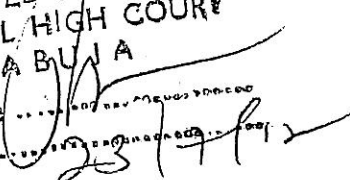
19.4 With the exception of such rights of the CONTRACTOR that may have accrued prior to the date of termination, CONTRACTOR's rights shall cease upon the termination of this Contract. Such termination shall take place without prejudice to any other rights or remedies, which may be available to either Party.

19.5 Without prejudice to all other rights of the CORPORATION herein contained, CONTRACTOR shall upon the termination of this Contract permit inspection, copying and auditing of its accounts and records for the Petroleum Operations.

19.6 Upon ninety (90) days notice, CONTRACTOR shall have the right, at its sole discretion, to relinquish its rights and to terminate this Contract without further obligations or liabilities, provided it has satisfied the minimum Work Programme provided in either Clause 6.2 (a) or Clause 6.2 (b) or if a delay referred to in Clause 6.5 has continued for more than a cumulative period of 12 months.

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19.7 However, subject to Clause 6.5 herein this Contract shall terminate if no petroleum is found in the Contract Area after ten (10) Years from the Effective Date and no OML is issued.

CLAUSE 20 - FORCE MAJEURE

20.1 Any failure or delay on the part of either Party in the performance of its obligations or duties under this Contract shall be excused to the extent attributable to force majeure. A force majeure situation includes delays, defaults or inability to perform under this Contract due to any event beyond the reasonable contemplation or control of either Party. Such event may be, but is not limited to, any act, event, happening, or occurrence due to natural causes; and acts or perils of navigation, fire, hostilities, war (declared or undeclared), blockage, labour disturbances, strikes, riots, insurrection, civil commotion, quarantine restrictions, epidemics, storms, floods, earthquakes, accidents, blowouts, lightning, and, acts of or orders of Government.

20.2 If Petroleum Operations are delayed, curtailed or prevented by force majeure, then the time for carrying out the obligation and duties thereby affected, and rights and obligations hereunder, shall be extended for a period equal to the period of such delay.

20.3 The Party who is unable to perform its obligations as a result of the force majeure shall promptly notify the other Party thereof not later than forty-eight (48) hours after the

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establishment of the commencement of the force majeure, stating the cause, and both Parties shall do all that is reasonably within their powers to remove such cause.

20.4 The CONTRACTOR's failure or inability to find Crude Oil in commercial quantity for reasons other than as specified in Clause 20.1 hereof shall not be deemed force majeure.

CLAUSE 21 - LAWS AND LANGUAGE

21.1 This Contract shall be governed by and construed in accordance with the Laws of the Federation of Nigeria.

21.2 All affairs related to this Contract shall be conducted in the language in which this Contract was drawn up.

CLAUSE 22 - NATURAL GAS

22.1 If the CONTRACTOR discovers a commercially viable quantity of Natural Gas, the CONTRACTOR shall investigate and submit proposals for the commercial development of the Natural Gas for the CORPORATION's consideration. Any cost in respect of such proposals or investigation shall be included in Operating Costs. For the commercial development of Natural Gas, the CORPORATION and CONTRACTOR shall enter into a supplemental agreement. Such agreement shall recognize that the CONTRACTOR has

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the right to participate in such development project, with the right to recover the costs and share in the profits.

22.2 Notwithstanding the provisions of Clause 22 hereof, the CONTRACTOR may utilize, at no cost any proportion of the produced Natural Gas required as fuel for production operations; gas recycling, gas injection, gas lift, or any other Crude Oil enhancing recovery schemes, stimulation of wells necessary for maximum Crude Oil recovery in the field discovered and developed by the CONTRACTOR and such usage shall be with prior written consent of the CORPORATION, which consent shall not be unreasonably withheld.

22.3 The attainment of recovery of Crude Oil through an efficient, economic and technically acceptable method shall always be paramount in all decisions regarding associated Natural Gas. However, prior to the commencement of production of Crude Oil from the Contract Area, the CONTRACTOR shall submit to the Minister, a programme for the utilization of any Natural Gas associated with Crude Oil, which has been discovered from the Contract Area.

CLAUSE 23 - REPRESENTATIONS AND WARRANTIES

23.1 In consideration of the CORPORATION entering into this Contract, the CONTRACTOR warrants as follows:

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(a) The CONTRACTOR has the power to enter into and perform this Contract and has taken all necessary action to execute, deliver and perform the Contract in accordance with the terms herein contained and has been granted all concessions, licenses, permits and authorization on Petroleum Operations.

(b) The execution, delivery and performance of this Contract by the CONTRACTOR will not contravene in any respect, any of the provisions of:

(i) any law or regulations or order of any governmental authority, agency or court applicable to or by which the CONTRACTOR may be bound;

(ii) any mortgage, contract or other undertaking or instrument to which the CONTRACTOR is a party or which is binding upon it or any of its respective revenues or assets.

(c) Full disclosure has been made to the CORPORATION prior to the Effective Date of all facts in relation to the CONTRACTOR and its financial condition and affairs as are material and should be made known to the CORPORATION.

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(d) That the CONTRACTOR together with its Affiliates has the funds both in foreign and local currencies to carry out Petroleum Operations under this Contract.

(e) The representations and warranties set out above shall remain for the duration of this Contract.

CLAUSE 24 - CONCILIATION AND ARBITRATION

24.1 Where an independent expert is used, CORPORATION and CONTRACTOR shall furnish the expert with all written information, which he may reasonably require for his opinion. The cost of the services of the expert, if appointed, shall be shared equally between CORPORATION and CONTRACTOR.

24.2 If a difference or dispute arises between the CORPORATION and the CONTRACTOR, concerning the interpretation or performance of this Contract, and if the Parties fail to settle such difference or dispute by amicable agreement, then either Party may serve on the other a demand for arbitration.

24.3 Within thirty (30) days of such demand being served, each Party shall appoint an arbitrator and the two arbitrators thus appointed shall within a further thirty (30) days appoint a third arbitrator. If the arbitrators do not agree on the appointment of such third arbitrator, or if either Party fails to appoint the arbitrator to be appointed by it, such arbitrator or third arbitrator shall be appointed by the President of the Court of

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Arbitration of the International Chamber of Commerce (ICC) in Paris on the application of the other Party (notice of the intention to apply having been duly given in writing by the applicant Party to the other Party). The third arbitrator when appointed shall convene meetings of the arbitration panel and act as chairman. If an arbitrator refuses or neglects to act or is incapable of acting or dies, a new arbitrator shall be appointed in his place and the above provisions of appointing arbitrators shall govern the appointment of any such new arbitrator or arbitrators.

24.4 The arbitration award shall be binding upon the Parties. The Nigerian Arbitration and Conciliation Act Cap 19, laws of the Federation of Nigeria, 1990 shall apply to this Contract and the judgment upon the award rendered by the arbitrators may be entered in a court having jurisdiction thereof. Each Party shall pay its own attorney's fees and costs.

24.5 The venue of the arbitration shall be any where in Nigeria as may be agreed by the Parties.

CLAUSE 25 - EFFECTIVE DATE

25.1 This Contract shall come into force and effect on the Effective Date.

25.2 This Contract shall not be amended or modified in any respect except by mutual consent, in writing, of the Parties hereto.

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CLAUSE 26 - CHANGE IN LEGISLATION

26.1 The Parties agree that the commercial terms and conditions of this Contract are based on the existing fiscal terms in accordance with the provisions of the Deep Offshore and Inland Basin Production Sharing Contracts Act, 1999. If such fiscal terms are changed, the Parties agree, subject to Clause 26.3, to review the terms and conditions of this Contract affected by such changes to align such terms and conditions with the fiscal terms.

26.2 The terms of this Contract have been negotiated and agreed having due regard to the terms of the Petroleum Profits Tax Act, as amended by the Deep Offshore and Inland Basin Production Sharing Contracts Act, 1999 and any duties and/or surcharges applicable to export of Crude Oil on the Effective Date.

26.3 If at any time or from time to time there should be a change in legislation or regulations which materially affects the commercial benefits afforded the CONTRACTOR under this Contract, the Parties will consult each other and shall agree to such amendments to this Contract as are necessary to restore as near as practicable such commercial benefits which existed under the Contract as of the Effective Date.

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CLAUSE 27 - OPERATOR

Shell Nigeria Ultra Deep Limited is designated the Operator under the Contract to execute the Petroleum Operations In the Contract Area.

CLAUSE 28 - CONFLICT OF INTERESTS

28.1 Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of significant value, as an inducement or reward for doing or forbearing to do any action or take any decision in relation to the Contract, or for showing or forbearing to show favour or disfavour to any person in relation thereto.

28.2 Each Party further represents that it shall not either directly or indirectly give to any person, director, employee, representative or agent of the other Party or any government official any commission, fee rebate, gift or any entertainment of significant cost or value, and shall not procure the services of any commission agent or other third party to give any such gift, fee, reward, concession, bribe, entertainment of significant cost or value or anything of a similar nature, for the purposes of influencing or inducing positively or

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adversely the award of the Contract or doing any act in connection with the Contract.

CLAUSE 29 - NOTICES

29.1 Any notice required to be given by each Party to the other shall be in writing and shall be deemed to have been duly given and received if sent by fax, or registered post to, or hand delivered at the following registered offices:

THE CORPORATION:

THE GROUP MANAGING DIRECTOR
NIGERIAN NATIONAL PETROLEUM CORPORATION
NNPC TOWERS
CENTRAL AREA, HERBERT MACAULAY WAY,
ABUJA.
Fax: 234-(09)-413-4760.

CONTRACTOR:

THE EXECUTIVE DIRECTOR
SHELL NIGERIA ULTRA DEEP LIMITED
21/22 MARINA
LAGOS
Fax: 234 1 264 5433

29.2 Each Party shall notify the other promptly of any change in the above address.

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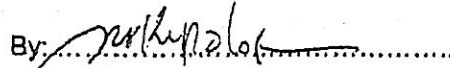
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IN WITNESS WHEREOF THE PARTIES herein have caused this agreement to be executed the day and year first above written.

SIGNED AND DELIVERED for and on behalf of
NIGERIAN NATIONAL PETROLEUM CORPORATION

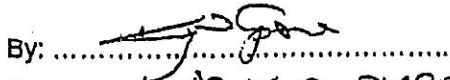
By: 
Name: EDGAR F. M. KUPO-LOKUN

Designation: GROUP MANAGING DIRECTOR

In the presence of:

Name: CHIEF SENA ANTHONY
Signature:
Designation: GCM, CSLA/SECRETARY TO THE CORP
Address: NNPC


SIGNED AND DELIVERED for and on behalf of
Shell Nigeria Ultra Deep Limited

By: 
Name: DR K. O. OKPERE

Designation: EXECUTIVE DIRECTOR

In the presence of:

Name: MRS M. O. AYENI

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& BUJA
Signature: 
Date: 23/1/12

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Signature: ... *Oluyemi Adeniji* ...
Designation: ... FINANCE MANAGER ...
Address: ... SQUA, FREEMAN HOUSE, 21/22 MARINA, LAGOS ...

APPROVED BY THE HONOURABLE MINISTER

This *22nd* Day of *DECEMBER* 2002

Signature: ... *[Signature]* ...
Name: ... *DR. E. M. DANBORU* ...

Designation: PRESIDENTIAL ADVISER ON
PETROLEUM AND ENERGY, FOR AND
ON BEHALF OF MINISTER OF
PETROLEUM RESOURCES

In the presence of:

Name: *JAYAFARU A. PAKU*
Signature: ... *[Signature]* ...
Designation: ... *S.A.P.C. (Petroleum matters)* ...

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Signature: ... *[Signature]* ...
Date: ... *23/7/12* ...

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