

PETROLEUM PROSPECTING LICENCE

This Deed made this 14th day of June, 1999, between the Minister responsible for Petroleum, Her Excellency The President Of The Co-operative Republic Of Guyana, Janet Jagan, representing the Government of the Co-operative Republic of Guyana (hereinafter referred to as the “Minister”) of the One Part;

and

ESSO EXPLORATION AND PRODUCTION GUYANA LIMITED (hereinafter sometimes referred to as “ESSO”), a company incorporated in the Commonwealth of the Bahamas with its registered office at 233 Benmar, Houston, Texas, 77060 United States of America and registered in Guyana under section 259 of the Companies Act, 1991 chapter 89:01 with registered office at 80 Cowan Street, Kingston, Georgetown, Guyana of the Other Part;

WHEREAS in accordance with the Petroleum (Exploration and Production) Act 1986, (Act No. 3 of 1986) and the Regulations made thereunder (hereinafter referred to as the “Act”), the licensee has by application dated 14th day of June 1999, applied to the Minister for the grant of a petroleum prospecting licence in respect of the area constituted by the blocks described and identified in the First Schedule hereto and shown on the map thereto attached;

WHEREAS under authority conferred by section 10 of the Act the Minister has entered into an agreement of even date herewith (hereinafter referred to as the “Petroleum Agreement”) with ESSO for the grant to ESSO of a petroleum prospecting licence subject to the terms of the Petroleum Agreement.

NOW THEREFORE in exercise of the powers conferred upon the Minister by section 10 and 21 of the Act:

1. I, the Minister, do hereby grant to ESSO for a period of four (4) years commencing six (6) months after the effective date of the Petroleum Agreement, this petroleum prospecting licence in respect of the area constituted by the blocks described in the First Schedule hereto and identified and shown on the map attached thereto (hereinafter referred to as the “prospecting area”) conferring on Esso, by subject to the Act and the Regulations made thereunder and to the conditions of grant specified hereunder or to which Esso is otherwise subject under the Petroleum Agreement, the exclusive right to explore in the prospecting area for petroleum and the right to carry on such operations and execute such works therein as are necessary for that purpose.

2. This petroleum prospecting licence is granted subject to the following conditions:

a) In accordance with Article 4.1 of the Petroleum Agreement, during the term of this petroleum prospecting licence, the licensee shall, in or in relation to, the prospecting area, carry out the work in Article 4.1(a)(i), and 4.1(a)(ii) of the Petroleum Agreement.

(i) During phase 1 (having a term of two (2) years commencing from six (6) months from the effective date of the Petroleum Agreement) the licensee shall complete a minimum work programme consisting of the following:

during phase 1, acquire 2150 kilometres of 2D seismic, acquire potential field data, conduct radar imagery and geological and geophysical studies.

(ii) During phase 2 (having a term of two (2) years from the end of phase 1) the licensee shall complete a minimum work programme consisting of the following:

during phase 2, acquire three thousand (3000) kilometres of 2D seismic; conduct a sea-bottom geochemical sampling study and conduct geological and geophysical studies.

b) Within sixty (60) days after the effective date of the Petroleum Agreement, the licensee shall submit to the Minister details of a work programme and budget (on the basis of the minimum work programme specified in (a) above) to be undertaken during the remaining portion of the calendar. Thereafter, for so long as this petroleum prospecting licence remains in force, the licensee shall submit an annual work programme and budget (on the basis of the minimum work programme specified in (a) above not less than one (1) month prior to the beginning of the calendar year.

c) Subject to the provisions of the Act and the Petroleum Agreement and other conditions of this petroleum prospecting licence, the licensee shall conduct prospecting operations hereunder in accordance with the annual work programme and budget submitted pursuant to clause 2(b) herein.

d) The licensee shall, before commencing any prospecting operations in the prospecting area, furnish to the Minister the name and address of the manager who at the time of commencement of such prospecting operations shall have supervision over the prospecting operations to be carried out. Thereafter, any change in name and/or address of the manager shall be forthwith notified to the Minister. Any notice which the Minister or any person authorized by the Minister is required or entitled to serve upon the licensee shall be sufficiently served if the same shall be delivered or sent by post to such manager at such address and served in accordance with Article 31 of the Petroleum Agreement.

e) The licensee shall observe and give effect to the terms of the Petroleum Agreement.

3. Where during any period covered by this petroleum prospecting licence the obligations of the licensee under this petroleum prospecting license have been suspended by reason of force majeure, the period of which this petroleum prospecting licence has been granted shall be extended as specified in Article 24 of the Petroleum Agreement.

4. The licensee shall pay to the Government during the term hereby granted an annual charge in respect of the prospecting area as specified in Article 10 of the Petroleum Agreement.

5. The licensee shall be entitled to renew this petroleum prospecting licence as set forth in Article 3.1 (b) of the Petroleum Agreement.

6. Unless the context otherwise requires, terms and expressions used in this petroleum prospecting licence shall have the same meaning as in the Act or the Petroleum Agreement.

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IN WITNESS WHEREOF, I,**Janet Jagan**, the Minister, do hereby grant this petroleum prospecting licence and set my hand and affix the seal of the Co-operative Republic of Guyana and the licensee have set their respective seals, the month and year first herein above written.

The common seal of the Government of the Co-operative Republic of Guyana was hereto affixed in the presence of the Minister

Responsible For Petroleum

The seal of Esso Exploration And Production Guyana Limited was hereto affixed in the presence of

President, Esso Exploration and Production Guyana Limited

Guyana Geology and Mines Commission

Esso Exploration and Production Guyana Limited

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FIRST SCHEDULE

DESCRIPTION OF CONTRACT AREA

Description of area to be granted under petroleum prospecting licence pursuant to Article 3 of the Petroleum Agreement.

The area comprising approximately 60,000 square kilometres described herein consisting of graticular blocks identified herein and shown on the block reference map attached.

Longitude and Latitude measurements are West and North respectively.

POINT NO. LATITUDE LONGITUDE

1	9° 30.00' N	58° 25.00' W
2	9° 30.00' N	58° 20.00' W
3	9° 25.00' N	58° 20.00' W
4	9° 25.00' N	58° 15.00' W
5	9° 20.00' N	58° 15.00' W
6	9° 20.00' N	57° 30.00' W
7	9° 15.00' N	57° 30.00' W
8	9° 15.00' N	57° 25.00' W
9	9° 10.00' N	57° 25.00' W
10	9° 10.00' N	57° 20.00' W
11	9° 05.00' N	57° 20.00' W
12	9° 05.00' N	57° 15.00' W
13	9° 00.00' N	57° 15.00' W
14	9° 00.00' N	57° 00.00' W
15	8° 55.00' N	57° 00.00' W
16	8° 55.00' N	56° 50.00' W
17	8° 50.00' N	56° 50.00' W
18	8° 50.00' N	56° 40.00' W
19	8° 45.00' N	56° 40.00' W
20	8° 45.00' N	56° 30.00' W
21	8° 40.00' N	56° 30.00' W
22	8° 40.00' N	56° 10.00' W
23	8° 35.00' N	56° 10.00' W

24	8° 35.00'N	56° 00.00' W
25	8° 30.00'N	56° 00.00' W
26	8° 30.00' N	55° 50.00' W
27	8° 25.00'N	55° 50.00' W
28	8° 25.00' N	55° 45.00'W
29	8° 20.00'N	55° 45.00' W
30	7° 30.00' N	56° 25.00' W

31 Eastwards to 30 at the
Guyana/Suriname Boundary then
southwards along the
Guyana/Suriname Boundary to the
intersection with the line drawn east
from 32 below at

32	7° 30.00'N	56° 25.00' W
33	7° 35.00' N	56° 25.00' W
34	7° 35.00' N	56° 35.00' W
35	7° 30.00' N	56° 35.00' W
36	7° 30.00' N	56° 45.00' W
37	7° 35.00'N	56° 45.00' W
38	7° 35.00' N	56° 55.00' W
39	7° 40.00' N	56° 55.00' W
40	7° 40.00' N	57° 15.00'W
41	7° 45.00'N	57° 15.00'W
42	7° 45.00' N	57° 20.00' W
43	8° 00.00' N	57° 20.00' W
44	8° 00.00' N	57° 25.00' W
45	7° 05.00' N	57° 25.00' W
46	8° 05.00'N	57° 30.00' W
47	8° 15.00'N	57° 30.00' W
48	8° 15.00' N	57° 40.00' W
49	8° 20.00' N	57° 40.00' W
50	8° 20.00'N	57° 50.00' W
51	8° 25.00'N	57° 50.00' W
52	8° 25.00' N	58° 05.00' W
53	8° 30.00' N	58° 05.00' W

54	8° 30.00' N	58° 15.00' W
55	8° 35.00' N	58° 15.00' W
56	8° 35.00' N	58° 20.00' W
57	8° 40.00' N	58° 20.00' W
58	8° 40.00' N	58° 25.00' W

Then northwest through 59 at.....
to intersect with the Guyana/
Venezuela boundary

9° 00.00' N	59° 00.00' W
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at...60 then northeast along the
Guyana/Venezuela boundary to
intersect with the Guyana/Trinidad
boundary at

...61 then east along the
Guyana/Trinidad boundary to

...62 the intersect with the line drawn
north from

1 which is at.....

9° 30.00' N	58° 25.00' W
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TABLE OF CONTENTS

- Article 1 - Definitions 4
- Article 2 - Agreement, the Operator, Liabilities and Indemnities 13
- Article 3 - Petroleum Prospecting Licence and Guarantee 15
- Article 4 - Exploration Programme and Expenditure Obligation 17
- Article 5 - Relinquishment of Areas 23
- Article 6 - Delegation; Co-operation between Contractor and Delegate 26
- Article 7 - Annual Work Programme and Budget 30
- Article 8 - Discovery and Development 31
- Article 9 - Records, Reports and Information; Confidentiality 34
- Article 10 - Annual Licence Rental Charge 39
- Article 11 - Cost Recovery and Production Sharing 40
- Article 12 - Associated and Non-Associated Natural Gas 43
- Article 13 - Valuation of Crude Oil 49
- Article 14 - Disposal of Production 54
- Article 15 - Taxation and Royalty 57
- Article 16 - Contracts and Assignments 63
- Article 17 - Domestic Supply Obligation 64

Article 18 - Guyana Resources	66
Article 19 - Employment and Training	67
Article 20 - Rights to Assets and Insurance	69
Article 21 - Import Duties	77
Article 22 - Foreign Exchange Control.	79
Article 23 - Accounting and Audits	81
Article 24 - Force Majeure	82
Article 25 - Assignment	84
Article 26 - Sole Expert, Conciliation and Arbitration	86
Article 27 - Applicable Law	90
Article 28 - Protection of the Environment	93
Article 29 - Termination and Cancellation	95
Article 30 - Effective Date	96
Article 31 - Miscellaneous	98
Article 32 - Stability of Agreement	99
Article 33 - Notices	

PETROLEUM AGREEMENT

This Agreement is made on the 1st day 1999, between the Government of the Cooperative Republic of Guyana, represented herein by the Minister (hereinafter referred to as the “Minister” or the “Government” as the case may be) of the One Part and

ESSO EXPLORATION AND PRODUCTION GUYANA Ltd. (hereinafter referred to as "ESSO" or “Licensee”) a Company incorporated in the Commonwealth of the Bahamas with its registered office at 233 Benmar, Houston, Texas, 77060, United States of America *and registered in Guyana under the Companies Act 1991 with its registered address in Guyana situated at 80 Cowan Street, Kingston, Georgetown, Guyana* of the Other Part

WHEREAS

By virtue of the Petroleum (Production) Act, Cap. 65:05, petroleum existing in its natural condition in strata in Guyana is vested in the State; the *Petroleum (Exploration and Production) Act, No. 3 of 1986* (hereinafter referred to as the “Act”) and the *Petroleum (Exploration and Production) Regulations 1986* (hereinafter referred to as the “Regulations”) make provision with respect to prospecting for and production of petroleum, and for matters connected therewith.

The Guyana Geology and Mines Commission (hereinafter referred to as "GGMC") a body corporate established under the Guyana Geology and Mines Commission Act (No. 9 of 1979) has been seised with the responsibility, inter alia, of planning and securing the development, exploitation and management of petroleum, as defined in the Act, in Guyana so as to ensure for the people of Guyana the maximum benefits therefrom and for doing such things in relation thereto;

With respect to prospecting for and producing petroleum and for matters connected therewith the Act and Regulations, subject to certain limitations and conditions contained therein authorize the Minister to grant petroleum prospecting licences and petroleum production licences;

Section 10 of the Act authorises the Minister to enter into an agreement with any person with respect to, inter alia, the grant of a licence, the conditions to be included in a licence, the procedure to be followed by the Minister while exercising any discretion conferred upon her by or under the Act and the manner in which the discretion shall be exercised and any matter incidental to or connected therewith;

ESSO has submitted to the delegatee a proposal ("the Proposal") for a Production Sharing Agreement and in respect of prospecting in a certain area offshore Guyana, on terms and conditions specified in the Proposal.

GGMC has been authorised by the Minister to negotiate this Agreement subject to the provisions of the Act and Regulations and to the final written approval of the Minister of its contents and execution thereof and to assist in the administration and implementation thereof;

ESSO will have, or will acquire, the financial resources, the managerial, technical and industrial competence and the experience to carry out petroleum operations and will provide an affiliate company guarantee, in accordance with section 13 of the Act;

Pursuant to the aforesaid recitals, ESSO made an application to the Minister for a petroleum prospecting licence in accordance with regulation 13 of the Regulations (as hereinafter defined), over the area described in Annex A and shown on the map attached as Annex B, subject to the terms and conditions herein set forth and subject to the provisions of the Act and Regulations and ESSO has agreed by execution of this Agreement to accept the said licence on the said terms and conditions and provisions;

NOW, THEREFORE, in consideration of the premises and covenants and conditions herein contained, IT IS HEREBY AGREED between the Parties as follows:

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Article 1 – Definitions

1.1 In this agreement, unless the context otherwise

“accounting procedure” means the procedure set out on Annex C;

“Act” means the Petroleum (exploration and Production) Act 1986 (No.3 of 1986);

"affiliated company" in relation to the Contractor, means a company or corporation-

(i) which is, directly or indirectly controlled by the Contractor; or

(ii) which directly or indirectly, controls the Contractor; or which is, directly or indirectly, controlled by a company or corporation that also, directly or indirectly, controls the Contractor.

For the purpose of this definition "control" means the right to exercise votes of fifty per cent (50%) or more of all the voting shares;

“agreed interest rate” means interest compounded daily ($1/365 \times \text{rate}$) at an annual rate equal to the average London Interbank Offer Rate (LIBOR) for six (6) months United States dollars quoted

at 11:00 hours (11.00 a.m.) London time on the first business day of such month by the London Office of the Bank of America or as the Parties may agree, plus three (3) percentage points;

5

"Agreement" means this Agreement and the Annexes hereto attached and made a part hereof;

"appraisal programme" means a programme carried out following a discovery of petroleum in the contract area for the purpose of delineating the petroleum reservoir, as defined in the Act, to which that discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum therein prior to declaration of its commerciality;

"appraisal well" means a well drilled for the purpose of an appraisal programme;

"Article" means an Article of this Agreement;

"associated gas" means all natural gas produced from any petroleum reservoir the predominant production of which is with crude oil and includes gas-cap gas which overlies and is in contact with crude oil;

"barrel" means a quantity consisting of forty-two (42) United States gallons, liquid measure, measured at standard conditions of atmospheric pressure and temperature (14.7 lbs/sq. inch absolute or 1 Kg/sq. cm. absolute and corrected to a temperature of sixty (60) degrees Fahrenheit or fifteen (15) degrees Celsius);

"calendar month" or "month" means any of the twelve months of the Calendar Year;

"calendar quarter" or "quarter" means a period of three (3) consecutive months beginning on the first day of January, April, July or October;

"calendar year" or "year" means a period of twelve (12) consecutive months commencing on January 1 and ending on the succeeding December 31 provided however that a year of a term of a licence shall be the period specified in section 2 (2) (b) of the Act;

“commercial discovery” means any discovery which the Contractor in its sole judgement, considers economic to develop and produce pursuant to the terms of the Agreement;

"contract area" means:

on the effective date the area described in Annex A and shown on the map in Annex B and the subject of the petroleum prospecting licence granted to the Contractor pursuant to Article 3; and thereafter any areas which at any particular time are subject to the petroleum prospecting licence or petroleum production licences granted to the Contractor under Article 8;

"contract costs" means exploration costs, development costs, operating costs, service costs, general and administrative costs and annual overhead charge;

"Contractor" means ESSO and includes its successors and assignees;

"cost oil" has the meaning assigned in Article 11;

7

"crude oil" or "oil" means crude mineral oil, asphalt, ozokerite, distillates, condensates and all kinds of hydrocarbons and bitumens, both in solid and liquid forms, whether in their liquid state at the well head or field separator or liquified from produced natural gas by chemical treatment, condensation or extraction;

"delivery point" means the fob point of export in the Co-operative Republic of Guyana, either offshore or onshore, which shall be agreed to by the Contractor and the Minister;

"development costs" means the expenditure so categorised in Annex C;

"development plan" means the plan referred to in Article 8.4;

"development well" means any well drilled as part of a development plan;

"discovery area" means an area which is part of a prospecting area consisting of a discovery block or blocks in respect of which the Minister has been informed under section 30 of the Act;

"discovery block" means that as defined in the Act;

"discovery of petroleum" means that as defined in the Act;

"effective date" means the date on which this Agreement comes into force pursuant to Article 30;

"expatriate employee" means any employee (other than a Guyanese citizen) not permanently resident in Guyana who is engaged under a contract of service for the purpose of petroleum operations;

"exploration costs" means those expenditures so categorized in Annex C:

"exploration period" means the initial period or the first renewal period, or both; or the first renewal period; or the second renewal period, or both; or the initial and all renewal periods, referred to in Article 4.1, as the case may be;

"exploration well" means a well drilled, which is not a development well, with the objective of exploring for petroleum on a geological entity (be it of structural, stratigraphic, facies or pressure nature) to a depth or stratigraphic level specified in the work programme for the exploration work programme;

"field" means an area within the contract area consisting of a petroleum reservoir or multiple petroleum reservoirs all grouped on, or related to, the same individual geological structural features or stratigraphic conditions from which petroleum may be produced commercially;

"general and administrative costs" and "annual overhead charge" means the expenditures so categorised in Annex C;

"geologic basement" means any igneous or metamorphic rock or any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have.

the properties necessary for the accumulation of petroleum in commercial quantities and which reflects the maximum depth at which any such accumulation can be reasonably expected;

"Government" means the Government of the Co-operative Republic of Guyana and its ministries and agencies;

"GGMC" means the Guyana Geology and Mines Commission established under section 3 of the Guyana Geological and Mines Commission Act 1979;

"licence" means the petroleum prospecting licence or the petroleum production licence or; both as the context requires;

"lifting entitlement" means the quantity of crude oil to which a Party shall be entitled in any given period pursuant to Article 11;

"Minister" means the Minister assigned responsibility for petroleum or where there is no such Minister, the President;

"natural gas" or "gas" means all hydrocarbons which at standard conditions of temperature and pressure (60 degrees Fahrenheit or 15 degrees Celsius and 14.7 lbs/sq. in or 1 Kg/sq. cm) is in a gaseous state including but not limited to wet mineral gas, dry mineral gas and casing

head gas, all substances contained therein including helium, which are produced from an oil or gas well, in their natural state or residue gas remaining after extraction of liquid crude oil from wet gas;

"non-associated gas" means natural gas or gas other than associated gas;

"operating costs" means those costs so categorized in Annex C;

"operator" shall have the meaning assigned to it in Article 2.2 (a);

"Parties" means the Government, ESSO and includes its successors and assign, and a Party shall mean any of the Parties;

"petroleum operations" means prospecting operations, or production operations, as defined in the Act, or both;

"petroleum prospecting licence" means a licence issued by the Government under the Act and the Regulations to ESSO for carrying out prospecting operations and as set forth in Form C of the Schedule to the Regulations;

"petroleum production licence" means a licence to be issued by the Government under the Act and the Regulations to ESSO for carrying out production operations and as set forth

11

in Form D of the Schedule to the Regulations;

"profit oil" has the meaning assigned in Article 11;

"recoverable contract costs" has the meaning assigned in Article 11;

"Regulations" means the Petroleum (Exploration and Production) Regulations 1986;

"service costs" means the expenditures so categorized in Annex C;

"sub-contractor" means any company or entity which provides services to the Contractor in connection with petroleum operations;

"third party sales" means third party arms length sales transacted in foreign exchange;

The words and expressions used in this Agreement but not defined herein shall, if meanings have been assigned to them under the Act, have for the purposes of this Agreement, the same meanings.

1.4 The provision of this Agreement relating to the petroleum prospecting licence shall be read as part of the provisions of such licence.

Article 2 - Agreement, the Operator. Liabilities and Indemnities

Agreement.- This Agreement constitutes an agreement made under section 10 of the Act consistent with the Act and the Regulations, and is a production sharing agreement, the objective of which is the exploration for development and production of petroleum in the contract area by the Contractor subject to the terms hereof and the provisions of the Act and Regulations under which the Contractor shall have an economic interest in the development of petroleum from the contract area.

The operator.- (a) ESSO shall be the operator charged with conducting the day to day activities of the Contractor under this Agreement. No transfer of operatorship to another not comprising the Contractor shall take effect unless it has been approved by the Minister which approval shall not be unreasonably withheld, (b) The Minister shall be notified of any change of operatorship to another Party comprising the Contractor, (c) The Contractor shall provide the Minister with a memorandum summarizing the operating arrangements between the operator and the Contractor, including any Party comprising the Contractor for the conduct of petroleum operations which will include, inter alia, a provision whereby the operator agrees to conduct the petroleum operations in accordance with this Agreement, the licences and any applicable laws of Guyana.

Liability.- The duties, obligations and liabilities of the Parties (including an assignee of ESSO) under this Agreement and under any licence issued pursuant hereto shall be joint and several.

Indemnity.- The Contractor shall, at all times, keep Government indemnified against all actions, claims and the demands that may be brought or made against Government by a third party by reason of negligence (any act or omission by reckless disregard of harmful consequences which results in damage to a third party) by the Contractor or the operator in the exercise or purported exercise of the rights of the Contractor under the Act or the licence, provided however, that nothing in this Article shall require the Contractor to give the said indemnity for any claim or demand in respect of petroleum taken by the Minister pursuant to Article 11 after title has passed to the Minister at the delivery point or in respect of assets acquired by the Minister pursuant to Article 20 from and after the date of acquisition. Liability by the Contractor to the Government for damages in respect of petroleum operations under this Agreement is limited to insurance required in accordance with Article (a), provided however, that the Contractor shall not be liable to the Government for indirect, punitive or consequential damages, including but not limited to, production or loss of profits.

Article 3 - Petroleum Prospecting Licence and Guarantee

3.1 Petroleum Prospecting Licence.- (a) On the date of this Agreement, the Minister, in accordance with the Act, the Regulations and the terms of this Agreement, shall grant to the Contractor the petroleum prospecting licence for an initial period of four (4) years commencing six (6) months from the effective date, over the area described in Annex A and shown on the map attached as Annex B hereto.- (b) Subject to Article 4 and the other terms of this Agreement, such petroleum prospecting licence may be renewed but not more than twice at the election of the Contractor for consecutive periods of three (3) years each in accordance with the provisions of the Act and the Regulations.

Guarantee.- The Contractor shall on or before the sixtieth (60th) day prior to the commencement of data compilation, review and reprocessing during year one (1) of phase one (1) of the initial period in accordance with Article 4.1 (a) (i) hereunder, and thereafter, no later than ninety (90) days after the commencement of all subsequent work commitment periods as specified in Article 4.1, provide an affiliate company guarantee or other form of guarantee acceptable to the Minister in the amount of ten percent (10%) of the budget submitted by the Contractor, pursuant to Article 7.1, for each specific work commitment period. Notwithstanding the foregoing, if the Contractor exceeds its minimum work commitment in any phase specified in Article 4.1, the completion of such work commitment shall constitute a waiver of such proportion of the requirement of the guarantee by the Minister which is the equivalent of the excess work previously done but which is applicable to the

subsequent work commitment phase.

16

If the guarantees are of affiliate company guarantees they shall be in lieu of and satisfy any obligation to provide a guarantee, or bond, or both, pursuant to the Act, Regulations or this Agreement on the part or on behalf of the Contractor

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Article 4 - Exploration Programme and Expenditure Obligation

4.1 Exploration Programme.- Subject to the provisions of this Agreement, in discharge of its obligations to carry out prospecting operations in the contract area, the Contractor shall carry out the minimum work described herein, during the periods into which prospecting operations are divided hereunder -

After the preparation period of six (6) months from the effective date, the initial period of four (4) years shall commence. The initial period shall be divided into two (2) phases, each phase consisting of two (2) years duration.

(i) Phase One - (2 years)

(aa) During phase one of the initial period, the Contractor shall acquire 2,150 kilometres of 2D seismic, acquire potential field data and conduct radar imagery and geological and geophysical studies.

(bb) At the end of phase one of the initial period, the Contractor shall elect either to relinquish the contract area or to enter phase two of the initial period.

(ii) Phase Two - (2 years)

(aa) Subject to Article 5, during phase two of the initial period, the Contractor shall acquire 3,000 kilometres of 2D seismics, conduct a sea-bottom geochemical sampling study and conduct geological and geophysical studies.

(bb) At the end of the initial period of four (4) years, the Contractor shall elect either to relinquish the entire contract area or to renew the petroleum prospecting licence for a three (3) year period. The first renewal period of three (3) years shall be divided into two (2) phases, with phase one consisting of two (2) years duration and phase two consisting of one (1) year duration.

(i) Phase One - (2 years)

(aa) Subject to Article 5, during phase one of the first renewal period, the Contractor shall possess the option to either acquire 1,250 square kilometres of 3D seismic or alternatively drill one (1) exploration well to depth of 3,600 metres sub-sea or to test the Tertiary age deep water reservoir section, whichever depth is lesser.

(bb) At the end of phase one of the first renewal period, the Contractor shall elect either to relinquish the contract area except for any discovery areas in respect of which the Minister is informed under section 30 of the Act and the area contained in any petroleum production licence or to enter phase two of the first renewal period.

(ii) Phase Two - (1 year)

(aa) Subject to Article 5, during phase two of the first renewal period, the Contractor shall drill one (1) exploration well to depth of 3,600 metres sub-sea or test the Tertiary age deepwater reservoir section, whichever depth is lesser.

(bb) At the end of the first renewal period of three (3) years, the Contractor shall elect either to relinquish the contract area except for any discovery in respect of which the Minister is informed under section 30 of the Act and the area contained in any petroleum production licence or to renew the petroleum prospecting licence for a second three (3) year period.

The second renewal period of three (3) years shall be divided into two (2) phases, each phase consisting of one and one-half (1 1/2) years in duration.

Phase One - (1 1/4 years)

(aa) Subject to Article 5, during phase one of the second renewal period, the Contractor shall drill one (1) exploration well to depth of 3,600 metres sub-sea or to test the Tertiary age deepwater reservoir section, which ever depth is lesser.

(bb) At the end of phase one of the second renewal period, the Contractor shall elect either to relinquish the contract area except for any discovery area in respect of which the Minister is informed under section 30 of the Act and the area contained in any petroleum production licence or to enter phase two of the second renewal period.

Phase Two - (1 1/4 years)

(aa) Subject to Article 5, during phase two of the second renewal period, the Contractor shall drill one (1) exploration well to depth of 3,600 metres sub-sea or test the Tertiary age deepwater reservoir section, which ever depth is lesser.

(bb) At the end of the second renewal period of three (3) years, the Contractor shall relinquish the entire contract area except for any discovery area in respect of which the Minister is informed under section 30 of the Act, the area contained in any petroleum production licence and any other portion of the contract area on which the Minister agrees to permit the Contractor to conduct further exploration activities.

The minimum work commitment for a given phase or period referred to in Article 4.1 , (b) and (c) may be undertaken in an earlier phase or period in whole or in part and in such a case the work commitment with respect to the subsequent period shall be deemed to be satisfied accordingly in whole or in part as the case may be.

The Minister may extend any exploration period pursuant to a showing of good cause by the Contractor.

No exploration well drilled by the Contractor shall be treated as discharging any obligation of the Contractor to drill such exploration well unless either it has been drilled to the depth or formation agreed with the Minister and specified in the annual work programme, or before reaching such depth or formation -

the Contractor has expended on such well and any substitute well drilled pursuant to Article 4 (d) below the amount for such work commitment in the budget submitted by the Contractor and approved by the Minister as specified in Article 7.1; or the geologic basement is encountered; or a discovery is made and the Minister is informed thereof; or insurmountable technical problems are encountered which, in accordance with good oilfield practice, make further drilling impractical, provided that if the said well is abandoned owing to the said problems before reaching the geologic basement, the Contractor shall drill a substitute well in the contract area to the same minimum depth as aforesaid unless otherwise agreed with the Minister or until the amount in Article 4 (a) less any amounts actually expended on the abandoned well is reached or one of the criteria listed at Articles 4 (b) to (d) is satisfied.

Expenditure Obligation.- The sum actually spent in fulfilment of the work obligation in a specific phase or period shall be deemed to have satisfied the Contractor's minimum expenditure obligation for that phase or period.

Article 5 - Relinquishment of Areas

Prior to the end of phase one of the initial period of the petroleum prospecting licence issued to the Contractor under Article 3.1, the Contractor shall relinquish at least twenty-five percent

If prior to the end of the second phase of the initial period of the petroleum prospecting licence, an application is made by the Contractor for renewal of the licence under section 24 (1) of the Act, the Contractor shall relinquish at the end of the initial period an area equal to at least twenty-five percent (25%) of the original contract area less the exclusions provided for in Article 5.4 (b) and (c).

If prior to the end of the second phase of the first renewal period of the petroleum prospecting licence an application is made by the Contractor for a second renewal of the licence under section 24(1) of the Act, the Contractor shall then relinquish at the end of this first renewal period an area equal to at least twenty - five percent (25%) of the original contract area less the exclusions provided for in Articles 5.4 (b) and (c).

The areas to be relinquished pursuant to Articles 5.1, 5.2 and 5.3 shall -
comprise of blocks, as defined in the Act;

exclude any discovery area together with a reasonable area of protective ac
(25%) of the contract area less the exclusions provided for in Article 5.4 (b) and (c).
surrounding the discovery area;

exclude any production area;

be selected by Contractor so that - (i) the area relinquished shall comprise not more than three discrete areas, having regard to any representations made by the Minister with respect to location, shape and size; (ii) the blocks to be retained for and during the first and second phase of the initial period pursuant to Articles 5.1 and 5.2 shall constitute not more than two (2) discrete areas unless otherwise agreed to by the Minister.

In the event that an area or areas cannot be identified for relinquishment in accordance with this Article without including in such area or areas in whole or in part a subsisting discovery area or production area or the Minister is of the opinion that the area(s) to be relinquished will not enable licensing separately or jointly with contiguous unlicensed areas then the Minister and Contractor shall consult together with a view to agreeing on the area(s) to be relinquished in the light of the circumstances then prevailing. If after sixty (60) days from receiving notice of the Contractor's proposed relinquishments the Parties cannot agree on a proposed relinquishment, the Parties shall refer the matter to a sole expert pursuant to Article 26.

For the purpose of this Article, a discovery area shall not include any discovery block which relates to a discovery in respect of which the Contractor has notified the Minister that the discovery is not of potential commercial interest pursuant to section 31 (1) of the Act, unless such discovery block forms a part (and only to that extent) of another subsisting discovery area.

If a petroleum prospecting licence ceases to have effect pursuant to section 32 (1) of the Act with respect to discovery blocks, reduction in size of the contract area shall be treated as an advance relinquishment under this Article and consequently shall reduce the area next required to be relinquished.

5.8 Without prejudice to the obligations undertaken in Article 4, the Contractor may at any time during the period of the petroleum prospecting licence, on giving the Minister no less than three (3) months notice in writing of its intention to do so, **relinquish any block or blocks in the contract area pursuant to section 28 of the Act and in accordance with Articles 5.4 and 5.5. Any such relinquishment shall count towards any subsequent mandatory relinquishments required under Articles 5.1, 5.2 or 5.3, as the case may be.**

Article 6 - Delegation: Co-operation between Contractor and Delegate

The Minister may, subject to the provisions of the Act, or any other law delegate any public officer to exercise and perform any of his functions under this Agreement and anything done by the delegatee in pursuance of the delegation shall have the same validity and effect as it would have if done by the Minister.

The delegatee shall perform, inter alia the following functions -

to monitor the petroleum operations carried out by the Contractor;

to review any proposed exploration work programme and budgets presented by Contractor under Article 7 and any appraisal programme presented by the Contractor under Article 8;

to review any development plan submitted by the Contractor in connection with an application for a petroleum production licence pursuant to section 34 of the Act;

to ensure the maintenance and availability for inspection of operating records and reports for petroleum operations in accordance with this Agreement;

to ensure the accounting procedures specified in Annex C of this Agreement are followed;

to ensure compliance with the provisions of this Agreement, Act and Regulations.

The Contractor and the delegatee shall co-operate in good faith in the exercise of the Minister's functions delegated pursuant to this Article and the Contractor shall keep the delegatee advised of all activities taking place during the course of petroleum operations and shall provide the delegatee with all available information relating to petroleum operations as the Minister or the delegatee may reasonably require. Towards this end the delegatee and the Contractor shall meet at regular intervals, but at least once every six (6) months, to review the progress and results of the petroleum operations and to discuss the work programme and other activities to be undertaken in the ensuing months.

With respect to the matters to be reviewed pursuant to Article 6.2, should the delegatee wish to make any specific proposals or revisions thereto, the delegatee shall so notify the Contractor specifying its reasons therefor; within reasonable time thereafter the Contractor and the delegatee shall meet and endeavour to agree on the proposals or revisions. The Contractor shall consider and take into account the proposals of the delegatee and shall attempt in good faith to reach agreement on such proposals. If the Contractor and the delegatee fail to agree within sixty (60) days of submission by the Contractor, the exploration work programme and budget (including as appropriate any minimum work programme to be undertaken pursuant to Article 4) submitted pursuant to Article 7 and the appraisal programme (except in the case of gas to which the provision of Article 12 shall apply) submitted pursuant to Article 8 (revised in accordance with any amendments or additions thereto agreed by the delegatee and the Contractor) shall be deemed adopted.

Any approvals required by the Minister or delegates shall not be unreasonably withheld. If the Contractor requests a requisite approval from the Minister or delegates, such approval shall be deemed as granted if no response is provided within sixty (60) days of making the request.

The Minister or the delegatee shall, upon request, either provide to the Contractor or assist the Contractor in obtaining the assistance required for Contractor to fulfill requirements of the contract including but not limited to the following -

approvals required from the Government agencies or provincial or local government for conducting hydrocarbon operations, including approvals necessary to import goods and services free from duties and taxes;

approvals for easements and right -of- way to enable Contractors to conduct operations;

approval relating to security for field operations and personnel;

permission for entry and exit visas and working permits for Contractor's employees, sub-contractors and their dependents;

supply of reports, analyses, samples, geological, geophysical and production data necessary to Contractor from areas inside and outside the contract area; and

approvals to export hydrocarbons, and use essential infrastructure necessary for the economic export of hydrocarbons at normal commercial terms.

Oil and Governance Network

Article 7 - Annual Work Programme and Budget

Within sixty (60) days after the effective date, the Contractor shall prepare and submit to the Minister in detail a work programme and budget, setting forth the prospecting operations, which the Contractor proposes to carry out (including, as appropriate, any minimum work obligations to be undertaken pursuant to Article 4) during the remaining portion of the calendar year. In subsequent years no less than one (1) month before the beginning of the calendar year, the Contractor shall prepare and submit to the Minister a work programme and budget setting forth petroleum operations which the Contractor proposes to conduct during the upcoming calendar year.

The Contractor may, for good cause, amend the details of any work programme or budget submitted to the Minister pursuant to Article 7.1 provided that -

- (a) notice of the details of the reasons for the amendments is given to the Minister;
- (b) such amendments shall not have the effect of reducing the minimum work obligations undertaken under Article 4 without the prior consent in writing of the Minister;
- (c) any proposed amendment shall be subject to review pursuant to Article 6.

Article 8 - Discovery and Development

Where, pursuant to section 30 of the Act, notice has been given to the Minister of a discovery in the contract area, the Contractor shall forthwith inform the Minister of the steps it proposes to take to satisfy the requirements of section 30 (1) (a) (iii) of the Act.

Where the Contractor, pursuant to section 31 (1) of the Act, has informed the Minister that, in its opinion, the discovery is of potential commercial interest, the Contractor shall, as soon as practicable thereafter, submit, for the consideration of the Minister, its proposals for an appraisal programme to meet the requirements of section 30 (1) (b) of the Act.

Where an appraisal programme has been adopted by the Contractor pursuant to Article 8.2, the Minister - may, on application by the Contractor pursuant to section 31 (2) of the Act, stating reasons therefor, extend the period within which application may be made by the Contractor for a petroleum production licence.

8.4 Where the Contractor has made an application to the Minister for a petroleum production licence in respect of any part of the contract area in accordance with section 34 (1) of the Act, such application shall be accompanied by the proposals required under section 34 (3) of the Act (hereinafter referred to as "the development plan") and shall satisfy the provisions of section 36 of the Act and the Regulations. The development plan shall provide that not later than six (6) months after the grant of the first petroleum production licence, the Contractor shall in consultation with

delegatee, prepare and implement a programme for training and

Oil and Governance Network

employment of Guyanese nationals in each phase and level of petroleum operations and for the development of management and technical skills for the safe and efficient conduct of petroleum operations.

Where the Minister considers that the application has not met the requirements of Article 8.4, he shall so notify the Contractor within sixty (60) days of receipt of the application, and delegatee and Contractor shall meet to discuss the application with a view to ensuring that the requirements of Article 8.4 are met. In the event that the Parties are unable to agree on amendments to the application to meet such requirements within sixty (60) days from the date of aforesaid application (or such longer period as the Parties shall agree), or where the Minister fails to respond to or act on the aforesaid application within sixty (60) days, the Contractor may refer the matter to a sole expert pursuant to Article 26 for determination within sixty (60) days of appointment of such expert or such other time period as may be agreed between the Contractor and the Minister.

Where the Minister considers that the aforesaid application has met the requirements of Article 8.4 he shall, within sixty (60) days of receipt thereof, so notify to the Contractor. In such an event or where in the event of a dispute it is determined by the sole expert pursuant to Article 26 that the Contractor has made an application which meets the requirements of Article 8.4, provided the Contractor is not in default under this Agreement, the Minister shall grant, within sixty (60) days of such notification or determination as the case may be, to Contractor, a petroleum production licence (in the Form D of the Schedule to the Regulations) over the area for which the application has been made on terms and conditions

consistent with this Agreement and the Act and Regulations which will enable the Contractor to carry on petroleum operations in the production area in accordance with the development plan wherein the level of production set shall be consistent with the maximum efficient rate of production which conforms to sound reservoir engineering principles in accordance with good international petroleum industry practice.

While the Contractor holds a petroleum prospecting licence or has made an application pursuant to Article 8.4 and in accordance with section 34 (1) of the Act, the Minister shall not grant a petroleum production licence in respect of all or part of the contract area or area covered by such application (whether on a geographical or geological basis) to any third party.

Where the Contractor pursuant to section 31 (1) of the Act has served notice on the Minister that in its opinion a discovery made in the contract area is not of potential commercial interest, the provisions of section 32 (1) of the Act shall apply.

The Contractor may apply for a renewal of a petroleum production licence for a maximum period of ten (10) years. The Minister shall not refuse to grant the renewal of a petroleum production licence under section 40(1) of the Act without first providing the Contractor -
a notice stating the grounds of the intended refusal; and
a reasonable period to respond to or remedy the stated grounds for refusal.

Article 9 - Records, Reports and Information; Confidentiality

Records, Reports and Information.- (a) The Contractor shall, at all times while this Agreement is in force, maintain and submit to the Minister in accordance with the provisions of the Act and the Regulations, the petroleum production licence and this Agreement, full and accurate reports, records, returns and accounts of petroleum operations in the contract area.

All data, well logs, maps, magnetic tapes, cuts of core and cutting samples and all other geological and geophysical information obtained by the Contractor in the course of carrying out petroleum operations hereunder and all geological, technical, financial and economic reports, studies and analyses generated in relation thereto (hereinafter referred to as "petroleum data") shall be submitted to the Minister in accordance with the Regulations. -

The Contractor may freely export for processing or laboratory examination or analysis samples or other original materials constituting petroleum data, provided that samples equivalent in size and quality or, where such material is capable of reproduction, copies of equivalent quality have first been delivered to the Minister.- (d) Petroleum data shall be the joint property of the Minister and the Contractor but shall become the sole property of the Minister with respect to any area which ceases to be part of the contract area, whether as result of relinquishment, or expiry, surrender or termination of a licence or otherwise in accordance with the Act, from the date on which such area ceases to be part of the contract area.- (e) The Minister, through duly appointed representatives, upon providing the Contractor with at least seven (7) days notice, shall be entitled to observe the petroleum operations conducted by the Contractor at his sole cost and expense and at all reasonable times to inspect all assets, records and data kept by the Contractor relating to such petroleum

operations. In the exercise of such rights under this paragraph the Minister shall not unduly interfere with the Contractor's petroleum operations under this Agreement.- (f) Nothing in this Article shall be construed as requiring the Contractor or any of the Parties comprising the Contractor to disclose any of its proprietary technology or that of its affiliated companies which is not acquired in the course of petroleum operations under this Agreement.

Confidentiality.- (a) All petroleum data, information and reports obtained or prepared by the Contractor hereunder shall, so long as they relate to any part of the contract area, be treated as confidential and each of the Parties undertakes not to publish, reproduce or otherwise deal with such petroleum data or to disclose the same or the contents thereof to any other person without the consent in writing of the other Parties, such consent not to be unreasonably withheld, provided however, that subject to Article 9.2 (b), this Article shall not

(i) prevent disclosure by the Contractor:

(aa) to an affiliated company for the purpose of carrying out petroleum operations;

(bb) to consultants, professional advisers, data processing centres, laboratories and sub-contractors in connection with the petroleum operations;

(cc) to a bank or other financial institution in connection with financing for petroleum operations;

(dd) to the extent required by any applicable law or the regulations of any stock exchange upon which the shares of the Contractor or an affiliated company are quoted;

(ee) to bona fide prospective assignees or transferees of an interest hereunder of the Contractor or in connection with a sale of stock of the Contractor or an affiliated company thereof; or

(ff) in connection with data trades;

(gg) of data information and reports already known to the Contractor prior to the effective date;

(hh) of data, information and reports acquired independently from a third party that represents that it has the right to disseminate such data at the time it is acquired by the Contractor;

prevent disclosure pursuant to section 4 of the Act, provided however that neither the Minister nor Contractor shall disclose petroleum data relating to

any area subject to a licence to a competitor of the Contractor, without the prior written consent of the other Party; or

be construed as imposing on any Party any obligation hereunder with respect to any petroleum data, information or reports which are, without disclosure by such Party, generally known to the public.

Any petroleum data, information or reports disclosed by the Contractor pursuant to this Article shall be disclosed on terms which ensure that the data, information or reports aforesaid are treated as confidential by the recipient (except for disclosures made pursuant to Article 9.2 (a) (i) (dd)) and prompt notice of all disclosures shall be given to the Minister.

All petroleum data which becomes the sole property of the Minister pursuant to Article 9.1 (d) shall continue to be treated as confidential by the Contractor for a period of one (1) year from the date on which it became the sole property of the Minister, but may be used by the Contractor in connection with data trades with the prior written consent of the Minister, such consent not to be unreasonably withheld subject however to Article 9.2 (b).

Where a licence ceases to be in force with respect to any area, the Contractor shall deliver to the Minister originals of all petroleum data and other information relating to such area pursuant to regulation 26 of the Regulations provided however that, on

(d)

application duly made to him pursuant to regulation 28 of the Regulations, the Minister shall permit the Contractor to retain copies of petroleum data and information relating to the contract area subject to Article 9.2 (b).

(e) Notwithstanding the provisions of Article 9.1 (d), all Contractor proprietary technology, except technology for which the cost of development has been approved as recoverable contract cost under this Agreement, shall remain the property of the Contractor.

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Article 10 - Annual Licence Rental Charge

The Contractor shall on the effective date of the petroleum prospecting licence or the date of grant of any petroleum production licence as the case may be and, thereafter, so long as the said licence remains in force, on each anniversary date thereof, pay without demand to the Government an annual licence rental charge in respect of the contract area as provided below for the entire exploration period and such payments shall apply to those areas remaining after taking into account any relinquishments pursuant to Article 5 -

Period Phase Rental Fee - U. Initial 1 120,000.

Initial 2 180,000.

First Renewal 1 240,000.

First Renewal 2 240,000.

Second Renewal 1 240, 000.

Second Renewal 2 240,000.

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Article 11 - Cost Recovery and Production Sharing

Subject to the terms and conditions of this Agreement, the Contractor shall bear and pay all contract costs incurred in carrying out petroleum operations and shall recover contract costs only from cost oil as herein provided.

All recoverable contract costs incurred by the Contractor shall, subject to the terms and conditions of any agreement relating to Non-Associated gas made pursuant to Article 12, be recovered from the value, determined in accordance with Article 13, of a volume of crude oil (hereinafter referred to as "cost oil") produced and sold from the contract area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the contract area for such month excluding any crude oil used in petroleum operations or which is lost. "Recoverable contract costs" means such costs as the Contractor is permitted to recover, as from the date they have been incurred, pursuant to the provisions of Annex C.

To the extent that in any month, recoverable contract costs exceed the value of cost oil determined in accordance with Article 13, the unrecovered amount shall be carried forward and, subject to the limitation stipulated in Article 11.2, shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The balance of crude oil available in any month after recoverable contract costs have been satisfied to the extent aforesaid (hereinafter referred to as "profit oil") shall be shared between the Government and the Contractor for each field in the following proportions: Contractor fifty percent (50%) and Minister fifty percent (50%).

The quantity of cost oil actually utilized in satisfying the recoverable contract costs may be allocated by the Contractor to production from any field or fields.

Subject to the provision of Article 14, the profit oil shall be shared between the Government and Contractor on a monthly basis according to their respective entitlements as specified in Article 11.4.

To the extent that the actual quantities and costs required to determine cost oil and profit oil for the month in question are not known, crude oil sharing shall be calculated on an interim basis each month taking the following factors into account - unrecovered recoverable contract cost; estimated current recoverable contract cost by reference to the agreed work programme and budget supplemented by any other relevant documents or information which are accepted by Contractor and Minister as being reliable indicators of the actual position for the month in question; estimated production for the month in question; and

crude oil price from the previous month calculated.

Retroactive adjustments shall be made to the crude oil entitlements and shall be agreed with the Minister based on recalculations utilizing actual quantities of crude oil produced and saved and recoverable contract costs. Any revised entitlements shall be made, subject to any applicable lifting agreements, as soon as practicable after such elements have definitely been determined.

The Contractor shall have the right to use in any petroleum operations as much of the production as may reasonably be required by it therefor and the quantities so used or lost shall be excluded from any calculations of cost oil and profit oil entitlement.

Article 12 - Associated and Non - Associated Gas.

12.1 Associated Gas.- (a) The associated gas produced from any oil field within the contract area shall be with priority used for the purposes related to the operations of production and production enhancement of oil fields, such as gas injection, gas lifting and power generation.- (b) Based on the principle of full utilization of the associated gas, and with no impediment to normal production of crude oil, a plan of utilization of the associated gas shall be included in the development plan of each oil field. If there is any excess associated gas in the oil field after utilization pursuant to Article 12.1 (a), the Contractor shall carry out a feasibility study regarding the utilization of such excess associated gas of such oil field. Such feasibility study, if carried out before submission of the development plan of an oil field, shall be included in the development plan. In the event that the Contractor conducts a further feasibility study of the utilization of the excess associated gas of such oil field, such further feasibility study shall be submitted to the GGMC for review and discussion. If the excess associated gas in any oil field is utilized, the construction of facilities for such utilization and the production of excess associated gas shall be carried out while a petroleum production licence continues in force.- (c) If the Parties agree that the excess associated gas of an oil field has no commercial value, then such gas shall be disposed of by the Contractor, provided that there is no impediment to normal production of the crude oil, in the most economic manner consistent with good international petroleum industry practice (including flaring pursuant to regulation 6 (3) of the Regulations).- (d) If either Party to the Agreement considers unilaterally that the excess associated gas of an oil field has commercial value, such associated gas may be utilized by that Party, provided there is no impediment to normal production of crude oil. All handling from the point of separation of crude oil shall be at the

sole risk and expense of the Party utilizing such associated gas and will not affect the amount of cost oil and profit oil due to the other Party to the Agreement.- (e) If the Parties agree that excess associated gas of an oil field has commercial value, Contractor shall be entitled, but not required, to make further investment to utilize such excess associated gas subject to terms at least as attractive as those established for crude oil in Article 11 including, but not limited to, cost recovery for such further investment. If Contractor believes improved terms are necessary, the Parties shall carry out friendly negotiations in a timely manner to find a new solution to the utilization of the said excess associated gas and reach an agreement in writing.- (f) Expenses incurred by the Contractor in the production and use of the associated gas of an oil field as stipulated in Article 12.1 and those incurred in carrying out any feasibility study on the utilization of the excess associated gas shall be charged to the development cost of the oil field.

The time period between the notice of discovery provided for by section 31(1) of the Act and the application for grant of a petroleum production licence may be extended pursuant to section 31(2) of the Act, if necessary, to provide reasonable time to conduct an appraisal programme and to develop a gas market.

12.2 Non - Associated Gas.- (a) When the Contractor in accordance with Article 8.2 has informed the Minister of any non - associated gas discovery within the contract area that is of potential commercial interest, the Parties shall promptly carry out friendly negotiations to reach agreement on the additional terms necessary for commercial development and production of the discovery. The agreement, which shall form an annex to this Agreement, shall be based on and include the following principles-

The petroleum production licence shall be extended as may be required to allow for commitment of the reserves for the life of the gas project and consistent with the terms for marketing that may be negotiated with the buyers of the gas.

The cost recovery rate and the Contractor's profit gas share shall be negotiated by the Parties taking into consideration the actual conditions in the gas field and the markets for such gas so that the Contractor shall be able to obtain an economic benefit acceptable to the Contractor.

If the Parties fail to reach an agreement within three (3) years after the date of commencement of negotiations, the Government shall have the right unilaterally to put up the gas field for bidding but shall keep as confidential the substance of any previous and future negotiations undertaken with Contractor. In such case, Contractor shall be entitled to participate in the bidding.

(b) Following the signature of the agreement herein the Contractor shall work out an appraisal programme for the discovered gas field according to the terms and conditions determined in the said agreement and submit it to the GGMC for review pursuant to Article 6.4. The Contractor shall carry out the appraisal programme

which was reviewed and agreed upon with GGMC. The expenses incurred in carrying out the said appraisal programme by the Contractor shall be charged to the exploration costs of the contract area.

After completion of the appraisal programme of a gas field, the Contractor shall submit a report on the appraisal programme to GGMC for its review and discussion. If Contractor decides that a gas field is non - commercial, the corresponding area covered by the gas field may be retained in the contract area during the exploration period. However, at the expiration of the exploration period, if Contractor still considers the said gas field non - commercial, the area covered by the said gas field shall be excluded from the contract area. With respect to a gas field which has potential commercial value but has not been developed because the market and consuming facilities are not available, the period during which the gas field is retained in the contract area shall be extended at the request of the Contractor. Such extended period, however, shall not be more than five (5) consecutive contract years after the date of expiration of the exploration period hereunder. In case the time necessary for the market to develop and for the consuming facilities to be constructed for the gas field exceeds such extended period, Contractor shall then have the right to request from the Minister a grant of further extended period.

Prior to expiration of the exploration period, if the Parties agree that any commercial gas field needs to be reappraised because of some favourable factors, the Contractor shall work out and submit a new evaluation report on the gas field and submit it to

the GGMC for its review pursuant to Article 6.5 and any expenses incurred in doing so shall be cost recoverable.

D) If the Contractor retains a gas field beyond the expiration of the exploration period pursuant to Article 12.2 (c), the Contractor shall pay to the Minister at the commencement of each year of the retention period an annual rental to be arrived at through friendly negotiations but which shall be no less than two hundred thousand United States Dollars (U.S.\$200,000.). The holding fee shall be applied on a pro rata daily basis in the event the Contractor relinquishes the gas field or declares such gas discovery to be a commercial discovery prior to the end of the such year.

12.3 General Conditions Applicable to Natural Gas.- (a) The Contractor shall have the primary responsibility for marketing all the available natural gas from the contract area and for negotiating for the sale thereof on a joint basis at fair market prices and terms common to both the Minister and the Contractor. The Contractor will pursue markets both within and outside Guyana and seek to market natural gas to the highest realization outlets after deduction of transportation costs. The Contractor will seek to recognize natural gas's potential value at the international value of alternative fuels in the end user market of the buyers.- (b) The Contractor shall have the right, but not the obligation, to process natural gas for conversion to liquids, chemicals or similar gas utilization projects and Contractor shall have the right to dispose of the liquids or products therefrom. The Contractor shall have the right to process natural gas for recovery of the liquids contained therein and such liquids sold shall be treated as crude oil. The Parties shall carry out friendly negotiations to reach

48

an agreement on the valuation of such liquids when the Contractor submits a proposal for such development. The agreement shall be based on principles for valuation of crude oil provided in Article 13, taking into consideration the specific components of the liquids recovered from the natural gas.- (c) The Contractor shall have the right to use natural gas, both associated gas and non-associated gas, as may be required for oil field and gas field operations, including the right to re-inject for pressure maintenance and enhanced recovery without charge, fee or royalty.

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Article 13 - Valuation of Crude Oil

13.1 For the purpose of this Agreement the value of a barrel of crude oil shall be the average fair market price determined as follows -

as soon as practicable after the end of each calendar month in which crude oil has been produced and sold from any field pursuant to this Agreement, an average price (in terms of United States dollars per barrel, fob, delivery point) for each field shall be determined in respect of production during that calendar month. It is understood that production from different fields may be of different quality and that separate average prices may accordingly be determined for any calendar month in respect of production from each field;

the prices aforesaid shall be determined as follows -

in the event that fifty percent (50%) or more of the total volume of sales by the Contractor during the calendar month of crude oil of a given quality produced hereunder from a field were third party sales, as hereinafter defined, the price of all crude oil from such field of that quality shall be deemed to be the simple arithmetic average price actually realised, calculated by dividing the total receipts from all such sales calculated fob the delivery point by the total number of barrels of crude oil sold from such field in such sales;

in the event that less than fifty percent (50%) of the total volume of sales by the Contractor during the calendar month of crude oil of a given quality produced hereunder from a field were third party sales, the price of all crude oil from such field of that quality will be determined by the arithmetic average of -

(aa) the simple arithmetic average price actually realised in the third party sales during the calendar month of such crude oil produced hereunder, if any, calculated by dividing the total receipts from all such sales calculated fob the delivery point by the total number of barrels of crude oil sold in such sales from such field; and

(bb) the simple arithmetic average price per barrel at which one or more crude oils of similar quality to the crude oil are being sold, such price being determined by calculating the average for the month in which production takes place of the mean of the high and low fob price or prices for each day of those crude oils as quoted in Platts Crude Oil Market Wire daily publication. In the event that Platt's ceases to be published or is not published for a period of thirty (30) consecutive days then the Parties shall agree on an appropriate alternative publication.

In determining the final price, account shall be taken of any differences between the crude oil and the crude oils quoted in Platt's, for quality, API gravity, sulphur, pour point, product yield as well as differences in quantity, delivery time, payment and other contract terms to the extent known.

Allowance will also be made to take account of the market area into which the crude oil is sold should it be different from the area used for Platt's.

The selected crude oils will be agreed between Contractor and the Minister in advance for each calendar year and in making the selection preference will be given to crude oils of similar quality to crude oil from the relevant field.

The arithmetic average aforesaid will be determined by the percentage volume of total sales of crude oil by Contractor that are, and that are not, as the case may be, third party sales during the calendar month in question.

all such prices will be adjusted to fob delivery point.

for the purposes of this Article third party sales of crude oil made by the Contractor shall include any third party sales made by the Contractor on the Minister's behalf pursuant to Article 14 but shall exclude -

(aa) sales, whether direct or indirect through brokers or otherwise, of any seller to any affiliated company of such seller, unless at demonstrably arms length price;

(bb) crude oil exchanges, barter deals or restricted or distress transactions, or any crude oil transaction which is motivated in whole or in part by considerations other than the usual economic incentives for commercial arms length crude oil sales;

(cc) Government to government sales.

The Contractor shall be responsible for determining the relevant prices in accordance with this Article. The calculation, basis of calculation and the price arrived at, shall be supplied to the Minister and shall be subject to agreement by the Minister before it is finally determined. Pending final determination the last established average crude oil price shall be used.

During the first calendar year of production from the contract area the Contractor and the Minister will meet in order to establish a provisional selection of the crude oils and an appropriate mechanism for the purposes of giving effect to Article 13.1 (b)(ii). This selection will be reviewed annually and modified if necessary.

In the event of any difference or dispute between the Contractor and the Minister concerning selection of the crude oils, the calculation or the basis of calculation of the prices and the prices arrived at or generally about the manner in which the prices are determined according to the provisions of this Article, the matter or matters in issue shall finally be resolved by a sole expert appointed pursuant to Article 26.3.

For the purposes of this Article, in determining the "quality" of a crude oil regard shall be given to all relevant characteristics including but not limited to gravity, sulphur and metal content, pour point and product yield.

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Article 14 - Disposal of Production

Each of the Parties shall have the right to take in kind at the delivery point and separately dispose of its share of the total quantities of production available under this Agreement. The Contractor shall have the right to use as much production as may be needed in any petroleum operations within the contract area and also within the transportation and terminal system. In the event of third party usage of the transportation terminal systems the quantities so used or lost outside the contract area shall be proportionate to aggregate use of that transportation and terminal system. All quantities so used or lost shall be excluded from any calculations of entitlement pursuant to Article 11. The quantity of production to which the Minister is entitled pursuant to Article 11 shall be measured and delivered to the Minister at the delivery point and the Minister shall be responsible for all costs and risks associated with the Minister's lifting entitlement from and after the delivery point. Within twelve (12) months after the Minister's approval of a development plan, or within a later period as may be agreed between the Parties but in any event no longer than three (3) months before the first scheduled lifting of crude oil, the Contractor shall propose to the Minister offtake procedures to govern the method whereby the Parties will nominate and lift their respective shares of crude oil. The details of such procedures shall be discussed and agreed upon between Minister and Contractor. The major principles of such procedures shall include the following - lifting shall be carried out so as to avoid interference with petroleum operations.

in the event that any Party shall find itself unable for any reason to lift such quantities of crude oil as are to be lifted in accordance with procedures it shall forthwith notify the other Parties to that effect. Such procedures shall include such deterrents as the Parties may agree, to prevent a Party from delaying the lifting of any quantities of crude oil not so lifted, to a later period; and

in the absence of any agreement to the contrary between the Parties, the Contractor and the Minister shall share in each type of grade of crude oil in proportion to their respective lifting entitlement.

The Contractor shall, if requested by the Minister, use reasonable efforts to market abroad on competitive terms all or part of the Minister's lifting entitlement subject to payment by Minister of costs normally borne by a seller in such transactions and on other terms to be agreed including an agreed marketing fee in respect thereof. The Minister shall provide the Contractor with at least six (6) months notice before changing between receiving payment in kind as provided under Article 14.1 and seeking the Contractor to market the Minister's lifting entitlement under this Article.

Subject to the provisions of Article 17 hereof, the Contractor shall have the right to export at the export point chosen for this purpose all petroleum to which it is entitled under this Agreement free of any duty, tax or other financial impost, and to receive and retain abroad all proceeds from the sale of such petroleum.

14.5 All Guyana's export laws, regulations, orders, directives and notifications of the Minister will apply, as these relate to export destinations. The Contractor agrees to abide by the said laws, regulations, orders, directives and notifications which shall also apply to its affiliated companies engaged in petroleum operations in Guyana.

In connection with the above, the Minister shall concurrently with the effective date and thereafter from time to time advise the Contractor of these destinations to which exports of crude oil, shall be contrary to the said regulations, orders, directives and notifications.

The Contractor shall be free always to sell, or deliver, or sell and deliver petroleum to third parties in the United States of America. Contractor's terms of sale to third parties shall contain a stipulation that the regulations, orders, directives and notifications as set forth in this Article shall apply.

Oil and Governance Network

Article 15 - Taxation and Royalty

15.1

Except as provided in Article 15.2 and 15.8 and except as otherwise set forth in this Article 15.1, no tax, duty, fee, charge or other impost shall be levied at the date hereof or from time to time thereafter on the Contractor in respect of income derived from petroleum operations or in respect of any property held or thing done for any purpose authorised or contemplated hereunder other than -

- a) subject to the provisions of Article 21, import duties at the rates specified from time to time in the Customs Act (Cap. 82:01);
- b) taxes, duties, fees or other imposts for specific services rendered on request or to the public or commercial enterprises generally;
- c) rents due to Government in respect of any land rights granted or assigned to the Contractor;
- d) annual licence rental charges due under Article 10;
- e) subject to Article 15.7, local government rates or taxes (being rates or taxes not calculated by reference to income) not in excess of those generally applicable in Guyana; and

(f) stamp duties, registration fees, licence fees and any other tax, duty, fee or other impost of a minor nature.

15.2

The Contractor, affiliated companies, sub-contractors and individuals who are expatriates shall be subject to the income tax laws of Guyana, including, the Income Tax Act of Guyana (Cap. 81:01) and the Corporation Tax Act of Guyana (Cap. 81:03) and shall separately comply with the requirements of those laws, in particular with respect to filing returns, assessment of tax, and keeping and showing of books and records.

15.3

The taxable income of the Contractor arising in each year of assessment under this Agreement for purposes of the income tax laws of Guyana, (including the Income Tax Act and the Corporation Tax Act referred to in Article 15.2) shall include the amounts of Contractor's income tax and corporation tax paid pursuant to Article 15.4. Based on the thirty-five percent (35%) income tax rate, the amount (gross-up) that shall be included as the additional taxable income of the Contractor shall be the amount resulting from multiplying the Contractor's taxable income (based on fifty percent (50%) of the production subject to the profit share computed without regard to any gross-up), by a factor of 0.53846, where such gross-up factor is computed as follows -

The gross-up factor equals: $\text{Applicable Guyana tax rate} \div (- \text{Applicable Guyana tax rate})$ or; $0.35 \div (1 - 0.35)$

The above can be illustrated by the following example. Assuming the taxable income of the Contractor (before application of Article 15.3) equals \$1,000, the Contractor's grossed-up taxable income under Article 15.3 shall be equal to \$1538.46. That is \$1,000 plus the Contractor's taxable income multiplied by the gross-up factor of 0.53846 (or \$538.46). Likewise, the Contractor's tax burden (under the income Tax Act and the Corporate Tax Act referred to in Article 15.2) which shall be payable by the Minister shall be equal to \$538.46, or 35% of the Contractor's grossed-up taxable income (i.e. \$1538.46 x 0.35).

15.4

The Minister hereby agrees -

a) that the appropriate portion of the Government's share of profit oil delivered in accordance with provisions of this Agreement shall be accepted by the Minister as payment in full by the Contractor of Contractor's share of each of the following levies, whatsoever the applicable rate of such levies may be and in respect of Article 15.4

(a) (ii), which the Minister shall then pay on behalf of the Contractor to the Commissioner of Inland Revenue -

- i. the share of royalty payable by Contractor pursuant to Article 15.6;
- ii. the Contractor's share of the income taxes imposed by the laws of Guyana, including, but not limited to, income tax imposed by the Income Tax Act and corporation tax imposed by the Corporation Tax Act and payable at the date hereof, or from time to time thereafter, and any other levy or charge on

income or profits which may become payable from time to time under any laws, acts, statutes, regulations or orders by the Government; and

iii. any other similar charge imposed and payable in respect of petroleum operations at the date hereof, or from time to time hereafter, except charges of the type specified in Article 15.1 (a-d).

15.5

The Contractor shall provide the Minister with the Contractor's income tax returns, who shall submit same on his behalf to the Commissioner of Inland Revenue. On receipt of notice of assessment issued by the Commissioner of Inland Revenue, the Minister shall pay corporation tax on behalf of the Contractor as provided under Article 15.4 (a)(ii) and shall be entitled to receive on behalf of the Contractor from the Commissioner of Inland Revenue properly prepared receipts required under this Article 15.5. Within one hundred and eighty (180) days following the end of each year of assessment, the Minister shall furnish to Contractor proper tax certificates in the Contractor's name issued by the Commissioner of Inland Revenue acting in accordance with the Income Tax Act and the Corporation Tax Act respectively. Such certificates shall state the amount of tax paid and other particulars customary for such certificates.

15.6

The Government's share of profit oil specified in Article 11 includes royalty payable by the Contractor at the rate of one percent (1%) of crude oil produced and sold, and delivery to the Minister, pursuant to Article 14 of his share of profit oil equivalent to royalty shall constitute payment of such royalty in kind. Within one hundred and eighty (180) days following the

61

end of each year of assessment receipts evidencing payment of Contractor's royalty shall be furnished by the Minister to the Contractor stating the amount and other particulars customary for such receipts.

15.7

Subject to the conditions of section 49 of the Act, the Minister may remit in whole or in part, or defer payment of any royalties payable by Contractor.

15.8

Nothing in this Agreement shall be construed to place an obligation on the Government to file a tax return declaring its share of production or profit share or to regard such profit share as income within the meaning of section 5 of the Income Tax Act (Cap. 81:01) or section 4 of the Corporation Tax Act (Cap. 81:03).

15.9

The Minister hereby agrees that the Contractor shall be exempt from the Property Tax Act pursuant to section 51 of the Act and any other act which amends or replaces in part or in whole the Property Tax Act.

15.10

The Minister agrees that for the duration of the exploration period, and for any area within the contract area where exploration activity is in progress, the provisions of section 10 (b) of the Corporation Tax Act (Cap. 81:03) shall not apply to the Contractor with respect to payments made any affiliated companies or sub-contractors. The affiliated companies and sub-contractors shall however, be subject to withholding tax in accordance with the provisions of section 39 (8) of the Income Tax Act (Cap. 81:01), with respect to profits remitted or deemed remitted to its head office.

The expatriate employees of the Contractor, affiliate companies and the sub-contractor shall be liable to pay personal income tax in Guyana on income earned in Guyana. Guyana (represented herein by the Minister) shall cause the proper authorities to issue appropriate tax certificates to expatriate employees when required.

If an expatriate employee is liable to pay income tax in Guyana on income earned in Guyana he shall pay such income tax at a rate equal to the lesser of - (i) the rate of income tax currently prevailing for individuals under the Income Tax Act (Cap. 81:01) being a maximum effective rate of 26.67% - and (ii) the rate of tax prevailing at the relevant time. Likewise, the amount of tax payable shall be calculated in accordance with the rules set forth in the Income Tax Act (Cap.81:01) as they apply as of the effective date of this Agreement, to the exclusion of such rules less favourable to the taxpayer as may be enacted in the future. However, should any subsequent amendment to the Income Tax Act result in the enactment of any rule or rules regarding the calculation of taxes payable which are more favourable to the taxpayer than that which is or those which are in effect on the effective date of this Agreement, the taxpayer shall be entitled to invoke such amended rule or rules for the purpose of calculating his income tax liability hereunder.

An order shall be made giving effect to the provisions of this Article in statutory form and language as specified in section 51 of the Act.

Article 16 - Contracts and Assignments

16.1

The Contractor shall, upon request, provide to the Minister copies of:

- a) contracts with respect to the sale or disposal of petroleum (including invoices issued thereunder);
- b) any deed of assignment of an interest of the Contractor under this Agreement pursuant to Article 25:
- c) any instrument by which the Contractor pledges, mortgages, encumbers or hypothecates its interest under this Agreement or the contract area.

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Article 17 – Domestic SUDDIV Obligation

17.1

If the requirements of the domestic market in Guyana exceed the Minister's total entitlement from all crude oil production in Guyana, then the Contractor if requested by the Minister, shall sell crude oil in Guyana on the basis of the ratio which the Contractor's lifting entitlement bears to the sum of Contractor's lifting entitlement plus the total entitlement of all other producers in Guyana subject to Article 17.3. The volume of crude oil which the Contractor shall be required to sell under this Article shall not exceed the Contractor's share of profit oil. The Minister shall give the Contractor notice on or prior to April 1 of the year preceding the calendar year in which the Government will have the said requirement and the term of the supply shall be on a calendar year basis unless otherwise agreed.

17.2

The Contractor shall, in any year, have a right to supply out of Contractor lifting entitlement the proportion of the crude oil requirements of Guyana that the quantity produced from the contract area bears to the total production at the time in Guyana to the extent that such requirement is not satisfied from any contract entered into prior to the date of commencement of production from the contract area. For the purpose of this paragraph, the term "the crude oil requirements of Guyana" means the amount by which, in any year, domestic demand exceeds the Minister's total entitlement to all crude oil produced in Guyana. The Contractor shall give the Minister notice on or prior to April 1 of the calendar year preceding the calendar year in respect of which Contractor wishes to exercise the aforesaid right and the term of the supply shall be on a calendar year basis unless otherwise agreed. Notwithstanding the foregoing the Contractor shall have the right to supply the total amount calculated pursuant to the foregoing provisions.

17.3

The price payable for the sale of crude oil pursuant to this Article shall be paid in United States dollars (or other currency as may be agreed) at a place specified by the Contractor within thirty (30) days of receipt of the Contractor's invoice by the Minister, and shall be determined in accordance with Article 13. All sums overdue shall bear interest at the agreed interest rate

17.4

Any sale of crude oil as provided for in Article 17.1 and 17.2 shall occur at the delivery point or such other point as the Minister and the Contractor may mutually agree.

17.5

All terms and conditions for the sale of crude oil pursuant to this Article, shall be specified in a contract of sale entered into between the Minister and the Contractor.

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Article 18 - Guyana Resources

18.1

In the conduct of petroleum operations pursuant to this Agreement the Contractor shall give preference to -

a) the purchase of Guyanese goods and materials, provided that such goods and materials are available on a timely basis of the quality and in the quantity

required by the Contractor at competitive prices; and

b) the employment of Guyanese sub-contractors in so far as they satisfy the Contractor's financial and technical requirements and meet the requirements of Article 18.1(a).

18.2

The Contractor shall establish appropriate tender procedures for the acquisition of goods, materials and services which shall ensure that Guyanese suppliers and sub-contractors are given adequate opportunity to compete for the supply of goods and services.

18.3

Within ninety (90) days after the end of each calendar year the Contractor shall provide the Minister with a report outlining its achievements in utilizing Guyanese resources during that calendar year.

Article 19 - Employment and Training

19.1

Subject to the requirements of any law relating to immigration, the Government shall provide necessary work permits and other approvals required by the Contractor for employment of expatriate employees in Guyana for the purpose of petroleum operations.

19.2

Without prejudice to the right of the Contractor to select employees and determine the number thereof in the conduct of petroleum operations, the Contractor shall, to the maximum extent practicable, employ, and encourage sub-contractors to employ Guyanese citizens having appropriate qualifications and experience.

19.3

During each year of the term of the petroleum prospecting licence, or any renewal thereof, the Contractor shall make available to the delegatee the following amounts -

Period Phase Training Fee. U.S\$

Initial 1 30,000

Initial 2 35,000

First Renewal 1 40,000

First Renewal 2 40,000

Second Renewal 1 45,000

Second Renewal 2 45,000

for one or more of the following purposes

- a) to provide a mutually agreed number of Guyanese personnel nominated by the delegatee with on-the-job training in Contractor's operations in Guyana and overseas or practical training at institutions abroad, or with on-the-job training in Contractor's operations in Guyana and overseas and practical training at institutions abroad, particularly in the areas of logistical planning for undertaking petroleum operations, seismic acquisition and interpretation, economic analysis, petroleum accounting and contract administration;
- b) to send qualified Guyanese personnel selected by the delegatee on courses not exceeding one year at universities, colleges or other training institutions mutually selected by Contractor and the delegatee;
- c) to send Guyanese personnel selected by the delegatee to conferences and seminars related to the petroleum industry;
- d) to purchase advanced technical books, professional publications, scientific instruments or other equipment required by the delegatee.

Article 20 - Rights to Assets and Insurance

20.1

Rights to Assets.- (a) The Contractor shall have the right to use free of charge assets previously installed by the Contractor in relinquished areas which are required for its operations in the remaining portion of the contract area provided that in the event of relicensing of the relinquished area, such licence shall exclude the aforesaid assets.- (b) Subject to Article 20.1 (c) upon expiry or termination of this Agreement in accordance with the provisions hereof, the Contractor shall upon notification by the delegatee pursuant to Article 20.1 (d)(i) -

- i. deliver to the Minister, free of charge, in good order and condition, (fair wear and tear excepted) all installations, works, pipelines, pumps, casings, tubings, engines and other equipment, machinery or assets of a fixed or permanent nature constructed, used or employed by the Contractor or the operator in the contract area;
- ii. deliver to the Minister, free of charge, any fixed assets relating to petroleum operations outside the contract area and movable assets owned by the Contractor or the operator and used or employed in connection with petroleum operations and located in Guyana for which costs have been fully recovered in accordance with Annex C herein; where costs have not been fully recovered the provisions of Article 20.1 (b)(iii) shall apply;
- iii. sell to the Minister any other assets owned by the Contractor or operator and

used or employed by the Contractor or operator in the contract area or elsewhere in Guyana in connection with petroleum operations at a price equivalent to the unrecovered cost of the assets.

c) The above provisions of Article 20.1 (b) shall not apply to -

- i. assets which are still required by the Contractor or operator for use in respect of an area in Guyana subject to another petroleum Agreement at the time of expiry or termination of this Agreement;
- ii. equipment and other assets rented or leased by Contractor in Guyana;
- iii. equipment and other assets rented or leased by Contractor and imported in Guyana for use in petroleum operations and subsequently exported therefrom;
- iv. equipment and any other assets owned or leased by a sub-contractor;
- v. household goods which are the personal property of employees of the Contractor;
- vi. equipment and assets otherwise not owned by Contractor.

d) The Contractor shall notify the Minister of all assets acquired as provided in section 4 of Annex C to this Agreement.

i. At least six (6) calendar months before expiry of the term of this Agreement, within three (3) calendar months following notice of termination of this Agreement or promptly following cancellation of all licences, the delegatee shall notify the Contractor of the assets to be delivered or sold to the Government.

ii. Subject to the terms and the provisions of this Article, the Contractor shall not, within one (1) year of the date upon which it estimates that termination of this Agreement will occur, remove from the contract area or sell any assets of a fixed or permanent nature which might be deliverable to the Government under this Article without the consent of the Minister, such consent not to be unreasonably withheld.

iii. Abandonment Programme and Budget.- (aa) Within sixty (60) days after the expiration of the term of this Agreement or the sooner relinquishment of some or all of the contract area, the Contractor shall carry out to the Minister's satisfaction an abandonment programme agreed with the Minister for all installations and pipelines provided by Contractor under this Agreement that the Minister elects not to have delivered up to him in accordance with Article

20.1(b). With respect to the area being relinquished or with respect to the area being relinquished and facilities thereon, such abandonment programme shall comply with and be limited to internationally accepted standards prevailing at the time of abandonment.- (bb) Concurrent with the submission of a development plan as provided in Article 8.4, the Contractor shall submit for the Minister's approval a proposed abandonment programme and budget covering all such installations and pipelines provided by Contractor under this Agreement.- (cc) The Minister shall act without unreasonable delay in reaching a decision on the Contractor's proposal under Article 20.1(d)(iii)(bb) and may approve or modify or impose conditions thereon. Before modifying or imposing conditions on the proposal, the Minister shall notify the Contractor of the proposed modification or conditions and give the Contractor the opportunity to make written representations within sixty (60) days thereafter about the proposed modifications or conditions. After taking into consideration such representations the Minister and the Contractor shall make their best efforts to mutually agree on the proposed modifications or conditions of the abandonment programme and budget. In the event that the Minister and Contractor cannot mutually agree on the proposed abandonment programme and budget, either Party may by written notice to the other Party propose that the dispute be referred for determination in accordance with the provisions of Article 26.- (dd) In the event that the Contractor does not present a timely proposal to the Minister under Article 20.1(d)(iii)(bb) the Minister after giving thirty (30) days notice to the Contractor of his intention

to do so, may prepare an abandonment programme and budget for the contract area if the Contractor does not present a proposal by the end of the thirty (30) day period. When the Minister has so prepared the abandonment programme and budget, it shall have the same effect as if it had been submitted by the Contractor and approved by the Minister.- (ee) The Contractor shall have the right on an annual basis to propose a revised abandonment programme and budget. Such proposal shall be subject to the approval process in Article 20. 1(d)(iii)(cc). Any revisions to the abandonment programme and budget shall result in a revision to the guarantee referred to in Article 20.1(d)(iii)(hh).- (ff) All funds required to carry out the approved abandonment programme shall be made available by Contractor when the cost for abandonment are incurred.- (gg) All cost included in the approved abandonment programme and budget shall be recoverable as operating costs on a unit of production basis commencing during the period when the abandonment programme and budget is approved. The amount to be recovered in a respective period shall be calculated by dividing the approved abandonment budget by the estimated units of production to be produced and sold by the Contractor between the date of the Minister's approval and the anticipated date of abandonment and multiplying the result by the units produced in the period.- (hh) The Contractor shall deliver to the Minister within seven (7) days after the date the abandonment programme and budget are approved an undertaking from Contractor's immediate parent company stating that such parent company shall ensure provision of financial and

technical resources necessary to conduct the approved abandonment programme. The amount of the financial undertaking shall be equal to the amount recovered under Article 20.1(d)(iii)(gg) less any amounts spent under the approved abandonment programme.- (ii) Notwithstanding the provisions of Article 20.1(d)(iii)(ff), in the event the Minister elects to have all or a portion of the facilities delivered up to him in accordance with Article 20.1(b), the Contractor shall pay the Minister at the time of transfer the amounts stipulated in the latest approved abandonment budget for the transferred facilities. Upon transfer and receipt of the funds, the Minister shall assume all responsibilities for the transferred facilities and their abandonment and shall hold the Contractor harmless against any liability with respect thereto accruing after the date of such transfer to the Minister.

iv. Subject to Article 20.1 (c), in the event that the Government acquires any assets pursuant to this Article, the Government shall assume all liabilities, with respect to such assets, arising from and after the date of acquisition and shall not direct the Contractor to remove or abandon any such assets pursuant to regulation 9 (1) (a) of the Regulations. The Government shall indemnify and hold Contractor harmless for any and all costs and claims which may arise from the use or abandonment of any asset from and after the date of acquisition by the Government.

v. Assets not acquired by the Government pursuant to this Article may be sold or otherwise freely disposed of by the Contractor subject to Article 21.2 and the Regulations.

20.2

Insurance.- (a) The Contractor shall effect and, at all times during the term of this Agreement, maintain for petroleum operations hereunder insurance as required by applicable laws, rules, and regulations and of such type and in such amount as is customary in the international petroleum industry in accordance with good oil field practice in respect of but not limited to -

i. any loss or damage to all assets used in petroleum operations;

ii. any pollution caused in the course of petroleum operations for which the Contractor or the operator may be held responsible;

iii. any loss or damage to property or bodily injury suffered by any third party in the course of petroleum operations for which the Contractor may be liable to provide an indemnity pursuant to Article 2.4;

iv. the Contractor's liability to its employees engaged in petroleum operations.

The insurance may be provided, to the extent permitted by applicable laws, rules and regulations, through Contractor's affiliate insurance company.

b) The Contractor shall require the operator to carry and to endeavour to have its sub-contractors carry insurance of such type and in such amount as is customary in the international petroleum industry in accordance with good oil field practices.

Oil and Governance Network

Article 21 - Import Duties

27.1

The Contractor, affiliated companies and the sub-contractors engaged in petroleum operations, subject to Article 21.1(a) hereunder, shall be permitted to import, free of duty or other taxes or imposts, machinery, equipment, vehicles, materials, supplies, consumable items (other than foodstuffs or alcoholic beverages or fuel), and movable property, where imports in any of the said categories have been certified by the Chief Inspector designated as such under section 3 of the Act to be for use solely in carrying out petroleum operations. The Contractor shall give prior notification to the Minister of sub-contractors engaged in petroleum operations.

a) Subject to Article 21.1, and for as long as this petroleum Agreement remains in force the Contractor, affiliated companies and sub-contractors engaged in petroleum operations hereunder shall be required to pay to the relevant authority a ten percent (10%) consumption tax on any fuel imports, where such imports have been certified by the Chief Inspector designated as such under section 3 of the Act to be used solely in carrying out petroleum operations in any area within the contract area.

21.2

Subject to Article 20, any of the items imported into Guyana may, if no longer required for petroleum operations hereunder, be freely exported at any time by the importing party, without the payment of any export duty or impost; provided, however, that on the sale or transfer by the importer of any such item to any person in Guyana (other than the Government) import duty shall be payable by the importer

on the value thereof at the date of such sale or transfer as determined by the Customs and Excise Department in accordance with their applicable rules.

Each expatriate employee of the Contractor (including any affiliated company) and of sub-contractors shall be permitted, subject to the limitations and conditions set out in the Customs Act, to import into Guyana free of import duty within six (6) months on first arrival his personal and household effects including one (1) motor vehicle; provided, however, that no property so imported by the employee shall be sold by him in Guyana except in accordance with Government regulations and upon the payment of the prescribed customs duties. Any importation or replacement of motor vehicles shall be a matter for consultation with the Minister.

Article 22 - Foreign Exchange Control

22.1

The Contractor shall, during the term of this Agreement have the right -

a) to retain abroad all foreign exchange obtained from the export sales of Contractor's petroleum and to remit and retain abroad all foreign exchange earned from sales of petroleum or assets in Guyana;

b) to finance petroleum operations hereunder in any currency through any combination of equity, inter-affiliate or third party loans, inter-company open accounts, or production payments but no payments of principal or interest in respect thereof shall be made from any source in Guyana other than the bank accounts referred to in Article 22.1 (c);

c) to open and maintain bank accounts denominated in Guyanese dollars, United States dollars or both in Guyana and freely dispose of the sums deposited therein without any restriction, provided that the said accounts are credited only with sums deposited in foreign currency or with the proceeds of the sale of foreign currency being credits relating to or derived from petroleum operations;

d) to open and maintain bank accounts in any foreign currency outside Guyana which may be credited without restriction and freely dispose of any sums deposited therein without restriction and without any obligation to convert

into Guyana currency any part of the said amounts, save that such accounts shall not be credited with the proceeds of the sale of any Guyanese currency without the consent of the Bank of Guyana;

e) to purchase and, with the approval of the Bank of Guyana, to sell Guyanese currency, through the authorized banks, without discrimination, at the rate of exchange determined by the Bank of Guyana for authorized banks at the time of purchase or sale.

22.2

The expatriate employees of the Contractor or of affiliated companies and of sub-contractors engaged in petroleum operations shall be subject to all Exchange Control Regulations that may be in effect from time to time. The expatriate employees of the Contractor, affiliated companies and sub-contractors should be entitled to remit freely abroad any portion of their salaries paid in Guyana and any investment income that may be earned on the portion of their salaries paid in Guyana.

22.3

Where the Contractor, affiliated company or sub-contractor by notice in writing to the Commissioner of Inland Revenue has guaranteed the full and proper discharge by an expatriate employee engaged in petroleum operations of his liability to income tax under the laws of Guyana, that expatriate employee shall be entitled to receive payment of the whole or any part of his remuneration in the country in which he is normally resident.

Article 23 - Accounting and Audits

23.1

The Contractor shall be responsible for maintaining accounting records relating to petroleum operations under this Agreement in accordance with the accounting procedures set out in Annex C hereto.

23.2

The Minister shall have the right to audit the accounting records of the Contractor in respect of petroleum operations in accordance with accounting procedure.

23.3

Nothing in this Article shall be construed as limiting the right of Government or any officer of Government pursuant to any statutory power to audit or cause to be audited the books of the Contractor.

Oil and Governance Network

Article 24 - Force Majeure

24.1

Any non-performance or delay in performance by any Party hereto on any of its obligations under this Agreement or in fulfilling any condition of any licence granted to such Party or in meeting any requirement of the Act or Regulations and any licence issued thereunder, shall, except for the payment of monies due by Government to Contractor or monies due to Government under section 43 (4) of the Act (unless such failure to pay is prevented by any action of the Government), not be a breach of this Agreement, the licence or the Act and Regulations if and to the extent that such non-performance or delay is caused by force majeure as defined in this Article.

24.2

In this Article, the term "force majeure" shall mean any event beyond the reasonable control of the Party claiming to be affected by such event which has not been brought about at its instance and which has caused such non-performance or delay in performance and, without limitation to the generality of the foregoing, includes natural phenomena or calamities, epidemics, fires, wars declared or undeclared, hostilities, invasions, blockades, riots, strikes, insurrection, civil disturbances, mining of the seas, international disputes affecting the extent of the contract area and any governmental action that would prevent the performance of an obligation or ability of the Contractor to export petroleum (except as provided in Article 14.5).

24.3

Where any Party is claiming suspension of its obligations on account of force majeure, such Party shall promptly notify the other Parties in writing of the occurrence thereof giving particulars of the force majeure and obligations affected. The Parties shall promptly carry out friendly discussions regarding the impact of the force majeure and possible remedies to the force majeure. If any Party then determines that on account of the force majeure in a portion of the contract area they

are unable to perform their obligations in the remaining portion of the contract area, in a manner consistent with good oil field practices, the force majeure shall apply to the entire contract area. Each Party shall promptly notify the other Parties as soon as the force majeure has been removed or no longer prevents it from carrying out its obligations hereunder.

24.4

Where a Party is prevented from exercising any rights or performing any obligations under this Agreement due to a force majeure, the Minister hereby agrees pursuant to section 43 (3) of the Act, subject to the proviso therein, that a period equivalent to the period of such force majeure and any additional time necessary for restoration of damages caused during a force majeure delay shall be added to the time allowed under this Agreement for the performance of such obligation and for the performance of any obligation or the exercise of any right dependent thereon and to the term of any licence issued pursuant to this Agreement. The Contractor shall have the option of terminating this Agreement without any further obligation if force majeure exceeds one (1) year.

24.5

Without prejudice to the other provisions of this Article, the Parties shall meet to discuss the consequences of the force majeure and the course of action to be adopted in the circumstances.

24.6

The Government shall not invoke force majeure due to any order, regulation or written directive of the Government which affects the Government's performance of its obligations under this Agreement.

Article 25 - Assignment

25.1

Subject to the regulation 20 of the Regulations the Contractor shall not assign, or transfer in whole or in part, any of its rights, privileges, duties or obligations under this Agreement, or any licence issued pursuant to this Agreement, to any person, firm or corporation, without the prior written consent of the Minister.

25.2

The Minister shall give his consent under Article 25.1 where -

- a) the assignment or transfer will not adversely affect the performance or obligations under this Agreement;
- b) the assignment is not contrary to the interests of Guyana;
- c) subject to (a) above, the assignment or transfer is to an approved affiliated company.

25.3

In the event that the Minister does not give his consent or does not refuse a request for an assignment or transfer by Contractor within sixty (60) days of receipt of such request, consent shall be deemed to have been given by the Minister.

25.4

Any assignment made pursuant to this Article shall bind the assignee to all the terms and conditions hereof and the terms and conditions of any licence issued pursuant to this Agreement unless otherwise agreed, and as a condition to any assignment, the assignee shall provide an unconditional undertaking to the Minister to assume all obligations by the Contractor under this Agreement or any licence issued pursuant to this Agreement.

An application for assignment or transfer of a licence shall be made in accordance with Form E of the Schedule to the Regulations. The applicant shall submit such additional information relating to the intended assignee which the Minister may reasonably require to enable him to dispose of the application.

Oil and Governance Network

Article 26 - Sole Expert. Conciliation and Arbitration

26.1

The Parties shall use their best efforts to settle amicably all disputes arising out of or relating to this Agreement.

26.2

Except for matters referred to in Articles 8,12, and 13 and any other matter which the Parties agree to refer to a sole expert, any dispute arising out of or relating to this Agreement which cannot be settled amicably may be submitted by any Party to arbitration pursuant to Article 26.4 or Article 26.6, whichever applies.

26.3

The sole expert referred to in Article 26.2 shall be appointed by agreement between the Parties, and in the event the Parties fail to agree on the sole expert within sixty (60) days after receipt of the written notice from any Party proposing the appointment of a sole expert, such expert shall be appointed by the Minister of the Institute of Petroleum of the United Kingdom. The decision of the sole expert on matters referred to him shall be final and binding on the Parties. The Parties shall refer any dispute arising out of or relating to such expert decision, including enforcement thereof, to arbitration pursuant to Article 26.4 or Article 26.6, whichever applies.

26.4

Subject to the provisions herein, the Parties hereby consent to submit to the International Centre for the Settlement of Investment Disputes (ICSID) any dispute relating to or arising out of this Agreement for settlement by arbitration pursuant to the rules of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (hereinafter referred to as the "Convention"). The Government hereby irrevocably waives any claim to immunity with regard to any arbitration pursuant to this Article 26 and to any proceedings to recognise or to enforce this Article 26 or any proceeding to recognise or enforce an arbitral award

87 rendered in an arbitration thereunder. Without prejudice to the generality of the foregoing, the waiver of immunity shall include immunity from service of process and immunity from jurisdiction of any competent court, and immunity of any of the Government's property from execution of any arbitration award or judgement entered thereon.

26.5

Subject to Article 26.6, prior to submitting a dispute for arbitration a Party may submit the dispute to conciliation under the Convention by a sole conciliator to be appointed by agreement of the Parties. If the Parties fail to agree on a conciliator in accordance with the Convention the dispute may be submitted for arbitration. No arbitration proceedings shall be instituted while conciliation proceedings are pending.

26.6

If the Secretary-General of the International Centre for the Settlement of Investment Disputes refuses to register a request for conciliation or arbitration or if a tribunal of arbitrators constituted pursuant to Article 26.4 above determines that a dispute is outside of the jurisdiction of the International Centre for the Settlement of Investment Disputes, either Party may request arbitration of the dispute before three arbitrators pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The American Arbitration Association shall administer the arbitration under the Arbitration Rules of the United Nations Commission on International Trade Law and shall act as the appointing authority when the Rules of the United Nations Commission on International Trade Law call for an appointing authority.

If the Secretary-General of the International Centre for the Settlement of Investment Disputes refuses to register a request for conciliation and neither Party has requested arbitration under the Arbitration Rules of the United Nations Commission on International Trade Law pursuant to Article 26.6 above, either Party may request conciliation pursuant to the Conciliation Rules of the United Nations Commission on International Trade Law prior to submitting the dispute to arbitration.

Conciliation or arbitration proceedings pursuant to this Article 26 shall be held in Washington DC, United States of America, or Port-of-Spain, Trinidad, and conducted in the English language. The Parties shall select the location from between the above mentioned options, and failing agreement between them, the arbitrator(s) shall make such selection in their stead.

The fees and expenses of a sole expert or conciliator (as well as the charges for the use of the International Centre for the Settlement of Investment Disputes or other facilities) shall be borne equally by the Contractor and the Minister. Each Party shall bear any other expenses it incurs in connection with expert or conciliation proceedings. In the case of arbitration proceedings, the arbitrators shall assess the expenses incurred by the Parties, the fees and expenses of the arbitrators, the charges for the use of the facilities and any other costs related

89

to the arbitration and shall decide by whom such costs shall be paid. The arbitrator(s) shall render a decision within six (6) months after having been appointed.

26.10

The decision of a majority of the arbitrators shall be final and binding on all the Parties and shall be enforceable in any court of competent jurisdiction.

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Article 27 - Applicable Law

27.1

This Agreement shall be governed by, interpreted and construed in accordance with the laws of the Co-operative Republic of Guyana.

Oil and Governance Network

Article 28 - Protection of the Environment

28.1 In accordance with the Environmental Protection Act 1996, (No. 11 of 1996), the Contractor shall obtain an environmental authorization as required from the Environmental Protection Agency established under section 3 of the Environmental Protection Act 1996, (No. 11 of 1996) and comply with the provisions of that Environmental Protection Act 1996 in relation to any activity of this Agreement that is governed by that Environmental Protection Act 1996, (No. 11 of 1996)

28.2 The Contractor is precluded from initiating any exploration or development activity on those areas outside of the contract area which the Environmental Protection Agency may determine to be sensitive or protected.

28.3 In furtherance of regulation 6 of the Regulations in the conduct of petroleum operations the Contractor shall take necessary and adequate precautions, in accordance with good international petroleum industry practice, against pollution and for the protection of the environment and the living resources of the sea.

28.4 If the Contractor's failure to comply with the provisions of Article 28.1 results in pollution or damage to the environment or marine life or otherwise, the Contractor shall take all reasonable measures in accordance with good international petroleum industry practice to remedy the failure and the effects thereof and shall where pollution occurs treat or disperse it in an environmentally acceptable manner. The Contractor shall not be obligated to remedy or clean up pollution or environmental

damage of any type that existed prior to the commencement of petroleum operations by the Contractor or arises as a consequence of pre-existing environmental conditions.

28.5 The Contractor shall notify the Minister forthwith in the event of any emergency or accident arising from petroleum operations affecting the environment and shall take such action as may be prudent and necessary in accordance with good international petroleum industry practice in such circumstances.

28.6 If the Contractor does not act promptly pursuant to Article 28.3 so as to control or clean up any pollution within a reasonable period specified by the Minister, the Minister may, after giving the Contractor reasonable notice in the circumstances, take any actions which are in accordance with good international petroleum industry practice and the necessary reasonable costs and expenses of such actions shall be borne by the Contractor.

Oil and Governance Network

Article 29 - Termination and Cancellation

29.1

This Agreement shall be deemed to have been terminated if the petroleum prospecting licence granted to the Contractor pursuant to Article 3 and every petroleum production licence granted to the Contractor under Article 8 has either expired or, under and in accordance with the Act and any relevant provision of this Agreement, been surrendered by the Contractor or lawfully cancelled by the Minister pursuant to section 42 of the Act but save as aforesaid, shall continue in full force and effect so long as Contractor continues to hold any of the said licences.

29.2

Should any issue arise between the Parties as to whether the Contractor is in default and such issue cannot be amicably settled by consultation between the Parties and a dispute thereon is referred for resolution pursuant to Article 26, this Agreement and the aforesaid licences shall continue in force pending resolution of such dispute.

29.3

Pursuant to section 42 of the Act, the Minister shall not cancel a licence on the basis of default unless the Minister has, by notice served on the licensee, given not less than thirty (30) days notice of such intention and the basis of default. In the notice the Minister shall specify a reasonable date before which the licensee may submit a written response or remedy the default.

On termination of this Agreement, or cancellation of any licence as aforesaid, the rights and obligations of the Parties shall cease by the termination or cancellation, shall not affect any right of action existing or liabilities incurred by a Party before the date of termination or cancellation, and any legal proceedings that might have been commenced or continued against a Party may be commenced or continued against it.

95

Article 30 - Effective Date

30.1

The effective date shall be the date on which this Agreement is duly signed.

Oil and Governance Network

Article 31 - Miscellaneous

31.1

The Government assures the Contractor that the contract area lies entirely within the territorial limits of Guyana and that Guyana has sovereignty over such area. The Government shall continue to assert its right to the entire contract area and seek to resolve current or future claims, if any, by other States that impugn any portion of the contract area. The Government shall also use its best efforts to permit due observance of the terms and conditions of this Agreement by both Parties. Both Parties undertake not to take any action inconsistent with the terms and conditions of this Agreement.

31.2

This Agreement shall not be amended or modified in any respect except by written agreement entered into by all the Parties which shall state the date upon which the amendment or modification shall become effective.

31.3

In the event of any conflict between any provisions in the main body of this Agreement and any provisions in the Annexes, the provision in the main body shall prevail.

31.4

The headings of this Agreement are for convenience of reference only and shall not be taken into account in interpreting the terms of this Agreement.

31.5

A reference to the singular in this Agreement includes a reference to the plural and vice versa.

31.6

The provisions of this Agreement shall inure to the benefit of and be binding upon the Parties and their permitted assigns and successors in interest.

97

31.7

No waiver by any Party of any one or more obligations or defaults by any other Party shall be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

31.8

This Agreement supersedes and replaces any previous Agreement or understanding between the Parties whether oral or written on the subject matter hereof, prior to the date of this Agreement.

Oil and Governance Network

Article 32 - Stability of Agreement

32.1

The Government shall not, after the effective date, unilaterally increase the contractual obligations of the Contractor under this Agreement or diminish the contractual rights of the Contractor hereunder as such obligations and rights exist as of the effective date. If the Government promulgates new or amended laws, makes orders or regulations, which negatively impacts the Contractor's economic benefits, the Parties shall promptly make revisions and adjustments to this Agreement as necessary to maintain the Contractor's economic entitlements at the level existing as of the effective date.

Oil and Governance Network

Article 33 - Notices

33.1

All notices and other communications to be given under this Agreement shall be deemed to have been made properly if delivered in person in writing, mailed with charges prepaid or sent by telex or tele-copier by one Party to the other at their respective addresses in Guyana as set forth below and copied to their overseas addresses. Any such notice or communication given as aforesaid shall be deemed to have been given and received at the time of delivery (if delivered by hand or by courier) or at the time of receipt (if transmitted by facsimile):

The Minister Responsible for Petroleum do Guyana Geology And Mines Commission, Upper Brickdam, Stabroek,

P.O.BOX 1028, Georgetown, GUYANA.

Attention: Commissioner, GGMC Facsimile: 02 53047

ESSO EXPLORATION AND PRODUCTION GUYANA Ltd 233 Benmar, Houston, Texas 77060
UNITED STATES of AMERICA.

Attention: President

Facsimile: 281-423-7381 100

Address in Guyana: 80 Cowan Street, Kingston, Georgetown, GUYANA.

Attention: Melinda Janki Facsimile: 2-62522

33.2

Party may, by notice as provided hereunder to the other Parties and GGMC change its address and other particulars for notice purposes.

IN WITNESS whereof the Parties have caused their duly authorised representatives to set their hands at the City of Georgetown, in the Co-operative Republic of Guyana in the presence of one another the day and year first above written.

Signed by The Minister Responsible For Petroleum Representing the Government of the Co-operative Republic of Guyana.

Oil and Governance Network