

2009 BID ROUND DEEP WATER MODEL PRODUCTION SHARING CONTRACT
DRAFT DOCUMENT – SUBJECT TO CONTRACT

2009 BID ROUND DEEP WATER MODEL PRODUCTION SHARING
CONTRACT

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PRODUCTION SHARING CONTRACT

This Contract made this _____ day of 2010 among the **PRESIDENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO**, His Excellency George Maxwell Richards, Intendant of State Lands (hereinafter referred to as "the President") of the FIRST PART, **MINISTER OF ENERGY AND ENERGY INDUSTRIES**, Senator the Honourable Conrad Enill (hereinafter referred to as "Minister") of the SECOND PART and ----- registered in the Republic of Trinidad and Tobago under the Companies Act and having a place of business at ----- in the Republic of Trinidad and Tobago and _____ ("_____") registered in the Republic of Trinidad and Tobago under the Companies Act Chap. 81:01 with a place of business at Administration Building, Southern Main Road, Port-of-Spain (hereinafter collectively referred to as "Contractor") of the THIRD PART.

WHEREAS, pursuant to Section 6(3) of The Petroleum Act Chapter 62:01 of the Laws of the Republic of Trinidad and Tobago (hereinafter referred to as "the Act") Minister is authorized to enter into Production Sharing Contracts for the carrying out of Petroleum Operations upon such terms and conditions as the Cabinet may approve.

WHEREAS, Minister acting as the agent of the Government, is responsible for the collection of revenues accruing under this Contract.

AND WHEREAS, Minister, under Regulation 4 of the Petroleum Regulations, made under the Act, issued on

XXX day of XXX, 2010, the Petroleum Regulations (Competitive Bidding) Order XXXX published as Legal Notice No. X of 2010 by which bids were invited for certain submarine areas described in the First Schedule therein.

AND WHEREAS, Contractor submitted a bid on the XXXth day of XXX, 2010 in accordance with and pursuant to the said Order.

AND WHEREAS, Contractor has represented to Minister that it has the requisite technical and financial capabilities to carry out Petroleum Operations and wishes to assist the Government in thoroughly evaluating the Petroleum potential and promptly and efficiently developing Petroleum discovered in the Contract Area.

AND WHEREAS, by Cabinet Minute No. ---- dated -----, 2010 the Cabinet approved this Contract.

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

ARTICLE 1

DEFINITIONS

The following words and terms used in this Contract shall unless otherwise expressly specified in the Contract have the following respective meanings:

1.1 "Accounting Procedure" means the Accounting Procedure set out in Annex "C" hereto.

1.2 "Affiliate" means a Subsidiary Company, a Parent Company, or a Sister Company of a Contractor Party. For the purposes of the foregoing definition:

A Parent Company is a company that controls a Contractor Party;

A Sister Company is a company that is controlled by the same company as a Contractor Party;

A Subsidiary Company is a company that is controlled by a Contractor Party;

For the purposes of this definition "control" in relation to a body corporate means the power of a person to secure by means of:

- (a) the holding of shares or the possession of voting power in relation to that body corporate; or
- (b) any other power conferred by the articles of incorporation or other document regulating the body corporate,

that the business and affairs of the body corporate are conducted in accordance with the wishes of that person.

1.3 "Appraisal" or "Appraisal Programme" means all works carried out by Contractor following a Discovery of Petroleum in the Contract Area for the purpose of delineating one or more Petroleum reservoirs to which that Discovery relates in terms of thickness and lateral extent and in order to further define the quantity of recoverable Petroleum therein.

1.4 "Appraisal Area" means that area surrounding a Discovery encompassing the geological structure or feature of the Discovery and a reasonable margin not exceeding 0.5km as approved by Minister from time to time.

1.5 "Assessment Plan" means a plan submitted pursuant to Article 13.3 for the purpose of evaluating a Natural Gas Discovery in sufficient detail to be able to seek a market or markets for the Natural Gas.

1.6 "Arms Length" means the relationship that exists between two or more entities, where neither of such entities exerts or is in a position to exert significant influence on any of the other entities having regard to all relevant factors.

1.7 "Associated Natural Gas" means all Natural Gas produced from any reservoir the predominant production of which is Crude Oil and which is separated from Crude Oil in accordance with normal oilfield practice including free gas cap, but shall exclude any liquid hydrocarbon extracted from such gas either by normal

field separation, dehydration or in a gas plant.

1.8 "Available Crude Oil" means all Crude Oil produced and saved from the Contract Area and not used in Petroleum Operations.

1.9 "Available Natural Gas" means all Natural Gas produced and saved from the Contract Area and not used in Petroleum Operations.

1.10 "Available Petroleum" means all Available Crude Oil and Available Natural Gas.

1.11 "Barrel" means a unit of volume equal to forty-two (42) United States gallons, liquid measure, corrected to a temperature of sixty (60) degrees Fahrenheit and fourteen point seven (14.7) p.s.i.a.

1.12 "Calendar Quarter" means a period of three (3) consecutive Months beginning on the first day of January, April, July, or October.

1.13 "Calendar Year" means a period of twelve (12) consecutive Months beginning on the first day of January and ending on the following thirty first day of December in the same year.

1.14 "Commercial Discovery" means a Discovery that Contractor proposes to develop and produce under the terms of this Contract.

1.15 "Commercial Production" means regular and continuous production of Petroleum from a Production Area pursuant to an annual production schedule approved under Article 15.

1.16 "Contract" or "Production Sharing Contract" means this Contract and any subsequent written amendments.

1.17 "Contract Area" means the area specified in Article 3 hereof and delineated on the map set out in Annex A, as modified and reconfigured from time to time in accordance with the stipulations of this Contract.

1.18. "Condensate" means the portion of Natural Gas of such composition that is in the gaseous phase at temperature and pressure of the reservoirs, but that, when produced, is in the liquid phase at surface pressure and temperature. It is liquid at the standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 p.s.i.a.) at the point of measurement of its volume.

1.19 "Contractor" means -----
----- and includes their respective successors and permitted assignees.

1.20 "Contract Year" means a period of twelve (12) consecutive months within the term of this Contract, beginning on the Effective Date or any anniversary thereof.

1.21 "Coordination Committee" means the committee composed of representatives of Minister and Contractor constituted in accordance with Article 9.

1.22. "Contractor Party" means an entity that is signatory to this Contract and is comprised of

Contractor, or such entity to which a working interest is assigned pursuant to this Contract.

1.23. "Contractor Natural Gas" is the share of the Natural Gas Production from the Contract Area that is represented by Contractor Cost Gas and Contractor's Share of Profit Gas.

1.24 "Cost Recovery" means the recovery of costs and expenses in accordance with Article 18.7.

1.25 "Crude Oil" means any hydrocarbon produced from the Contract Area which at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 p.s.i.a.) is in a liquid state at the wellhead or separator, or distillate and Condensate which is extracted from gas or casing-head gas in a plant.

1.26 "Development" or "Development Operations" or "Development Work" shall include but not be limited to:

(i) all the operations and activities under the Contract with respect to the drilling of wells other than Exploration Wells and Appraisal wells, the deepening, plugging back, completing and equipping of such wells, together with the design, construction and installation of such equipment, pipelines or lines, installations, production units and all other systems relating to such wells as may be necessary in conformity with sound oilfield and generally prevailing environmental practices in the international Petroleum industry;

(ii) all operations and activities relative to

the servicing and maintenance of pipelines, lines, installations, production units and all related activities for Production and management of wells.

1.27 "Development Plan" means the plan for the development of a Commercial Discovery, as provided in Article 13.

1.28. "Deemed Fair Market Value" means the deemed value for Natural Gas as determined pursuant to Annex D.

1.29 "Discovery" means any Petroleum not previously known to have existed, which is recovered at the surface in a flow measurable by conventional Petroleum industry testing methods.

1.30 "Effective Date" means the date on which this Contract has been signed by all Parties.

1.31 "Energy Equivalent Basis" means the equivalent of Natural Gas in Barrels of Crude Oil with 5,800 standard cubic feet of Natural Gas being equivalent to one Barrel of Crude Oil.

1.32 "Exploration" or "Exploration Operations" means operations which shall include but not be limited to such geological, geophysical, and other surveys and any interpretation of data relating thereto, and the drilling of such shot holes, core holes, stratigraphic tests, Exploration Wells for the Discovery of Petroleum, Appraisal of Discoveries and other related operations.

1.33 "Exploration Period" means the period not exceeding six (6) Contract Years from the Effective Date divided into up to three (3) phases, as provided for in Article 4.1.

1.34 "Exploration Well" means any well drilled with the objective of confirming a geologic trap in which Petroleum has not been previously discovered.

1.35 "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 feature or stratigraphic conditions from which Petroleum may be produced commercially.

1.36 "Force Majeure" shall mean any event beyond the reasonable control of Contractor and includes war, insurrection, civil commotion, storm, tidal wave, flood, epidemic, fire or earthquake.

1.37 "Government" shall mean the Government of the Republic of Trinidad and Tobago.

1.38 "Export Market" means Natural Gas export and export oriented markets including but not limited to:

- (a) exports of LNG and CNG
- (b) energy use in LNG liquefaction and terminal facilities
- (c) exports through a gas pipeline
- (d) use for any GTL project

1.39. "Fair Market Value" means the price at which Crude Oil or Natural Gas could be sold, or machinery, materials or services of similar quality could be supplied, on similar terms at similar times and at a similar location by parties under no compulsion to buy or sell and are trading on an Arms Length basis.

1.40 "Local Content" means the local component of goods, services and human resources employed in the conduct of Petroleum Operations under this Contract.

1.41 "Local Content Policy" means the policy of the Government with respect to Local Content.

1.42 "Internal Market" means the Natural Gas market in Trinidad and Tobago including, without limitation, Natural Gas sold to refineries, electricity generating facilities for local consumption, petrochemical manufacturers and other industrial, commercial and domestic customers in Trinidad and Tobago but expressly excludes Export Markets.

1.43 "Local Enterprise" means a person, firm or entity performing works, services and/or supplying goods and materials to Contractor, whether as a Sub-contractor or otherwise, whose business enterprise is incorporated or otherwise organised under the laws of Trinidad and Tobago and whose principal place of business is in Trinidad and Tobago and which is effectively owned and controlled by nationals of Trinidad and Tobago.

1.44 "Local Goods" means materials and/or equipment mined, grown or produced in Trinidad and Tobago,

whether through manufacturing or processing. An article, which is produced by manufacturing or processing, must differ substantially in its basic characteristics, purpose or utility from any of its imported components. Manufactured goods would be considered to be of local origin if the total cost of the local materials, labour and services used to produce the item constitute not less than fifty (50) percent of the cost of the finished product.

1.45 "Local Services" means works or services performed or supplied by a Local Enterprise.

1.46 "Measurement Point" means the location specified in the approved Development Plan within or outside of the Contract Area where the Petroleum is metered and delivered to Minister and Contractor.

1.47 "Minimum Exploration Programme" means the Exploration work to which Contractor has committed itself for each phase of the Exploration Period in accordance with Article 7.

1.48 "Minister" means the member of Cabinet to whom responsibility for matters related to Petroleum is assigned and his duly authorized delegates pursuant to Section 5 of the Act.

1.49 "Ministry" means the ministry in the Government to which responsibility for matters related to Petroleum is assigned.

1.50 "Month" or "Calendar Month" means any of the twelve months of the Calendar Year.

1.51 "Natural Gas" means all Petroleum which at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 p.s.i.a.) is in a gaseous state, including wet gas, dry gas, and residue gas remaining after the extraction, processing or separation of liquid Petroleum from wet gas, as well as non-Petroleum gas or gases produced in association with liquid or gaseous Petroleum.

1.52 "Natural Gas Field" means a Field from which more than fifty percent (50%) per cent of the estimated reserves on an Energy Equivalent Basis is Natural Gas at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 p.s.i.a.).

1.53 "Non-associated Natural Gas" means all gaseous hydrocarbons produced from gas reservoirs, and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas.

1.54 "Operator" means Contractor Party which is in charge of the day to day activities of Contractor under this Contract. The initial Operator shall be -----
-----.

1.55 "Party" or "Parties" means Minister and Contractor and does not include any Subcontractor(s).

1.56 "Petroleum" means all natural organic substances composed of carbon and hydrogen. This includes Crude Oil and Natural Gas, and all other mineral substances, products, by-products and derivatives that are found in conjunction with such substances.

1.57 "Petroleum Operations" means the Exploration Operations, the Development Operations, the Production Operations, and all other activities related thereto carried out under this Contract, but excludes mining operations involving the extraction of Petroleum from bituminous shales, tar sands, asphalt or other like deposits.

1.58 "Petroleum Regulations" means the regulations made pursuant to the Act.

1.59 "Production Area" means the portion of the Contract Area specified in an approved Development Plan under Article 13.7.

1.60 "Production" or "Production Operations" shall include but not be limited to operations and all activities related thereto carried out for Petroleum production after Minister's approval of the Development Plan, such as extraction, injection, stimulation, treatment, transportation, storage, lifting, and related operations, but does not include any storage or transportation beyond the Measurement Point.

1.61 "Quarter" means a period of three (3) consecutive Months.

1.62 "Shallow Marine Block" means an acreage in which a minimum of fifty (50%)percent of the area is located in water depth of less than one thousand metres.

1.63 "State" means the Republic of Trinidad and Tobago.

1.64 "Subcontractor" means a specialized person, firm or entity contracted by Contractor to carry out specific work relative to Petroleum Operations under the supervision of and for the account of Contractor.

1.65 "Taxable Production Sharing Contract" means the agreement in which each entity comprising Contractor is required to directly discharge its liability for Withholding Tax, Petroleum Profits Tax, Unemployment Levy, Green Fund Levy and any other taxes, or impositions whatsoever, other than Supplemental Petroleum Tax, Petroleum Impost, Royalty, and Petroleum Production Levy.

1.66 "Transfer" shall include the following, whether voluntary or involuntary and whether effected by operation of law, or otherwise, any transfer of ownership or any part thereof of any entity comprising Contractor by sale, merger, consolidation, reorganisation or liquidation or any change in ownership or voting rights in a company or legal entity.

1.67 "Transferee" shall mean any person to whom any Transfer is made.

1.68 "Work Programme" means a programme itemizing the Petroleum Operations to be conducted with respect to the Contract Area and the time schedule for accomplishing such operations.

1.69 "Work Unit" means the numerical representation of work obligations specified in the Work Programme under the Petroleum Regulations (Competitive Bidding) Order XXXXXXXXXX for one or more phases of this Contract

or under an appraisal programme or relative to a retained exploration area as detailed in Annex "F".

1.70 "\$", or "USD" or "US Dollars" or "Dollars" or "dollars" or any combination of these shall mean the lawful currency of the United States of America.

ARTICLE 2

SCOPE

2.1 This is a Production Sharing Contract, the object of which is the Exploration, Appraisal, Development and Production of Petroleum in the Contract Area and the provision of required infrastructure within and outside of the Contract Area up to the Measurement Point, all at Contractor's sole risk and expense.

2.2 Subject to the terms and conditions of the Contract, Minister hereby appoints Contractor as the exclusive agent to conduct Petroleum Operations in the Contract Area during the term of the Contract. It is hereby understood and agreed that nothing in this Contract shall confer ownership of Petroleum in strata to Contractor.

2.3 Contractor shall be responsible to Minister for the execution of Petroleum Operations in accordance with the provisions of the Contract. Without prejudice to Contractor's position as an independent contractor hereunder, the work to be done by Contractor shall be subject to the general supervision and review of Minister in accordance with the Contract.

2.4 In performing Petroleum Operations, Contractor shall provide the requisite financial resources and employ the industry standards, scientific methods, procedures, technologies and equipment accepted in the international Petroleum industry.

2.5 Contractor shall comply with the Local Content Policy in effect as may be varied from time to time. In performing Petroleum Operations under the Contract, Contractor shall provide for the maximum utilization of services and facilities available from Local Enterprises. Contractor shall employ with priority local personnel in all aspects of Petroleum Operations.

2.6 Contractor shall receive no compensation for its services, nor any reimbursement of its expenditures under the Contract, except for the share of Petroleum from the Contract Area to which it may become entitled under Article 18. If there is no Commercial Discovery in the Contract Area or if Contractor's share of the production achieved from Production Areas within the Contract Area developed by Contractor is insufficient to reimburse Contractor, Contractor shall bear its own losses.

ARTICLE 3

CONTRACT AREA

3.1 The Contract Area as of the Effective Date of the Contract comprises a total area of approximately ----- (---,---) hectares, as described in Annex "A" attached hereto and delineated in the map which forms part thereof.

3.2 Except for the rights expressly provided by the Contract, no right is granted in favour of Contractor to the surface area, sea-bed, sub-soil or to any natural resources or aquatic resources.

ARTICLE 4

CONTRACT TERM

4.1 ¹The Exploration Period shall be for a period not exceeding nine (9) Contract Years from the Effective Date, divided into:

- a first phase of () years and
- an optional second phase of () years
- an optional third phase of () years

Contractor's right to enter the next phase is subject to it having fulfilled its obligations for the then current phase.

4.2 Contractor shall notify Minister of its election to enter the next phase at least ninety (90) days prior to expiration of the then current phase. If Contractor does not so elect to enter the next phase, this Contract shall terminate as provided herein under terms and conditions to be agreed by Minister and Contractor at the end of the then current phase, with respect to any portion of the Contract Area not included in:

(a) a Production Area;

(b) Appraisal Areas subject to an extension

¹ Time frames to be specified in the CBO.

pursuant to Article 4.3;

(c) areas retained for a market development phase pursuant to Article 16.1;

(d) areas retained for Exploration pursuant to Article 6.1; and

(e) any areas then pending approval or then in dispute under Article 33.

4.3 Where insufficient time is available during the Exploration Period to complete the commercialization determination under an Appraisal Programme approved under Articles 13.2 or 13.4, Contractor shall have the right, upon written application to Minister not less than ninety (90) days before the end of the Exploration Period, to an extension of the term with respect to the Appraisal Area until the date on which the evaluation report on such Discovery is due under Article 13.2 (d) or 13.4 (d).

4.4 In the event of a Commercial Discovery, the term of the Contract shall be thirty (30) years from the Effective Date with respect to the Production Area corresponding to such Commercial Discovery; provided, however, if the Commercial Discovery relates to a Natural Gas Field, the term of the Contract shall be thirty (30) years from the Effective Date plus the period of any market development phase granted and utilized in accordance with Article 16.1 and any extension granted in accordance with Article 16.5, with respect to the Production Area corresponding to such

Natural Gas Field.

4.5 Contractor may request by notice to Minister at least one (1) year prior to the end of the term of the Contract to extend the duration of the Contract with respect to any Production Area for up to an additional five (5) years on terms and conditions to be mutually agreed between Minister and Contractor.

4.6 Minister may grant further five (5) year extensions in the same manner as has been laid down in Article 4.5.

4.7 At the request of Contractor or Minister, the provisions of this Contract may be reviewed or renegotiated five years prior to the termination of the initial Contract term referred to in Article 4.4 provided that the contract profit ratio is less than one (1) or greater than three and one half (3.5). The contract profit ratio shall be taken as the cumulative value of Contractor's Profit Petroleum divided by the cumulative value of Cost Recovery Petroleum.

ARTICLE 5

RELINQUISHMENTS

5.1 Subject to Article 5.2, the Contract Area shall be reduced by:

(a) at least forty percent (40%) of the original Contract Area, not later than the end of the first phase of the Exploration Period;

(b) at least fifty percent (50%) of the original Contract Area (inclusive of areas previously relinquished, not later than the end of the second phase of the Exploration Period;

(c) all portions of the original Contract Area, not later than the end of the Exploration Period under Article 4.1 with the exception of:

(i) Production Areas;

(ii) Appraisal Areas subject to an extension under Article 4.3;

(iii) Natural Gas Discovery areas retained for a market development phase under Article 16.1; and

(iv) Exploration areas retained in accordance with Article 6.1;

(d) any Appraisal Area subject to an extension under Article 4.3 that is not declared a Commercial

Discovery, by the end of the extension under Article 4.3;

(e) any Natural Gas Discovery area retained pursuant to Article 16.1 that is not declared a Commercial Discovery, by the end of the market development phase granted under Article 16.1;

(f) any Production Area, not in Commercial Production by the end of five (5) years after declaration of Commercial Discovery for such area, within thirty (30) days after Minister's request for such relinquishment, and

(g) any Exploration area retained pursuant to Article 6.1 for which no approved Exploration Work Programme for such area is committed.

5.2 Subject only to Articles 5.1(f) and 5.6, Contractor shall not be required pursuant to Article 5.1 to relinquish any portion of the Contract Area designated as a Production Area.

5.3 Unless the Contract Area is earlier surrendered or the Contract terminated, Contractor shall furnish Minister with a description of the boundaries of the part to be relinquished not less than ninety (90) days in advance of the deadline for the relinquishment prescribed in Article 5.1.

5.4 The area designated under Article 5.3 for relinquishment shall be as far as practicable rectangular bounded by lines running due north and

south and due east and west, having the longer side no more than three (3) times the shorter side. Unless Minister specifically consents, no individual block relinquished shall be less than thirty percent (30%) of the total area being relinquished at such time.

5.5 Article 5.4 shall also apply where a Contractor voluntarily surrenders a part of the Contract Area.

5.6 Contractor shall relinquish rights to conduct Petroleum Operations in a Production Area upon request of Minister where, for reasons other than Force Majeure or scheduled maintenance under an approved Work Programme and budget, Contractor has ceased normal production of such Production Area for more than one hundred and eighty (180) consecutive days.

5.7 No relinquishment shall relieve Contractor of accrued, but unfulfilled obligations under the Contract. In the event that Contractor desires to relinquish its rights hereunder in all of the Contract Area without having fulfilled all accrued Minimum Work Programme consisting of XXX Work Units under Article 7, Contractor or its guarantor shall pay Minister prior to the date of such proposed total relinquishment an amount equal to the remaining amount of the non-discharged guarantees under Article 8 corresponding to such accrued, but unfulfilled work obligations.

5.8 Prior to relinquishment of any area, Contractor shall perform all necessary abandonment programme activities in accordance with the sound and current international Petroleum industry practices to restore

such area as nearly as possible to the condition in which it existed on the Effective Date, including removal of such facilities, equipment or installations as Minister may instruct, and shall take action necessary to prevent hazards to human life, property and the environment which may be caused by its facilities, equipment or installations.

ARTICLE 6

RETAINED EXPLORATION AREA

6.1 Where Contractor declares a Commercial Discovery in the Contract Area during the Exploration Period specified in Article 4.1 or any extension as provided for under Article 4.3, Contractor shall have the option, exercisable by notice to Minister at least one hundred and twenty (120) days before the relinquishment required under Article 5.1(c), to retain up to twenty percent (20%) of the original Contract Area or an area to be mutually agreed by Minister and Contractor if justified by Contractor's Work Programme for ongoing Exploration. The notice to Minister:

(a) shall specify the coordinates of the Exploration area selected for retention, which shall be comprised of no more than two (2) separate rectangular blocks that comply with the specifications stated in Article 5.4; and

(b) shall contain Contractor's proposed Exploration Work Programme and budget corresponding to such area for the balance of the current Calendar Year and the next two (2) Calendar Years.

Provided Minister approves the Exploration Work Programme and budget submitted with the aforementioned notice, Contractor shall have the right to conduct Petroleum Operations in the retained Exploration area for the approved period.

6.2 If Contractor wishes to retain any portion of the Exploration area selected under Article 6.1 beyond the date for which an agreed programme is committed, Contractor shall propose, for Minister's approval, an Exploration Work Programme and budget for the next two (2) Calendar Year periods. Such proposal shall be presented to Minister at least ninety (90) days before the end of the period for which an Exploration Work Programme has been approved.

ARTICLE 7

MINIMUM EXPLORATION WORK PROGRAMME

7.1 Contractor shall commence Exploration Operations hereunder within ninety (90) days after the Effective Date. Such Exploration Operations shall be diligently and continuously carried out in accordance with sound and current international Petroleum industry practices for the duration of the Exploration Period.

7.2 During the first phase of the Exploration Period, Contractor shall carry out at least the following Minimum Exploration Work Programme consisting of ___ Work Units:

(a) Geological:

Evaluate, integrate and map all data related to the Contract Area.

(b) Geophysical:

(i) Acquire and process to industry standards at least ----- () square kilometres of 3D seismic resulting in full fold coverage of approximately ----- (----), with shooting to commence within fifteen (15) months after the Effective Date;

(ii) Evaluate, integrate and map all seismic data related to the Contract Area.

(c) Drilling:

Drilling of at least _____ Exploration Well, to a depth of at least ----- metres, true vertical depth with spudding of the first such well to be not later than thirty six(36) Months after the Effective Date.

(d) During the first phase of the Exploration Period Contractor may propose to Minister to alter the program described under paragraphs (a), (b) and (c), and Minister shall approve of such change where the revised program has an equal or larger number of Work Units and the revision is technically justified.

7.3 During the optional second phase of the Exploration Period, Contractor shall carry out at least the following Minimum Exploration Work Programme, consisting of _____ Work Units:

(a) Geological:

Evaluate, integrate and map all data related to the Contract Area.

(b) Geophysical:

(i) Acquire and process to industry standards at least ()square kilometers of 3D seismic resulting in full fold coverage of approximately -----
----- (-----) square kilometres.

(ii) Evaluate, integrate and map all seismic data related to Contract Area.

(c) Drilling:

Drilling of at least () Exploration Well, to a depth of at least (metres, true vertical depth.

(d) During the second phase of the Exploration Period Contractor may propose to Minister to alter the program described under paragraphs (a), (b) and (c), and Minister shall approve of such change where the revised program has an equal or larger number of Work Units and the revision is technically justified.

7.4 During the optional third phase of the Exploration Period, Contractor shall carry out at least the following Minimum Exploration Work Programme consisting of _____ Work Units:

(a) Geological:

Evaluate, integrate and map all data related to the Contract Area.

(b) Geophysical:

(i) Acquire and process to industry standards at least ----- (-----) square kilometers of 3D seismic resulting in full fold coverage of approximately ----- (-----) square kilometres.

(ii) Evaluate, integrate and map all seismic data related to Contract Area.

(c) Drilling:

Drilling of at least --- Exploration Wells, to depths of at least ----- (----) metres, true vertical depth.

(d) During the third phase of the Exploration Period Contractor may propose to Minister to alter the program described under paragraphs (a), (b) and (c), and Minister shall approve of such change where the revised program has an equal or larger number of Work Units and the revision is technically justified.

7.5 For purposes of the Minimum Exploration Work Programme under Articles 7.2 through Article 7.4:

(a) The obligations related to the second phase or third phase of the Exploration Period will accrue only if Contractor elects to enter such subsequent phase by notice pursuant to Article 4.1.

(b) In the event that an Exploration Well attains the minimum depth requirement in a prospective zone, Contractor shall be required to continue drilling to a depth which will ensure penetration of and allow for the proper testing of the entire prospective zone, provided such further drilling is technically feasible. Such further drilling shall be counted against the work obligation.

(c) Additional line kilometres of seismic and additional Exploration Wells beyond the minimum required for any phase of the Exploration Period may be carried forward to satisfy the respective work obligations of a subsequent phase of the Exploration Period.

7.6 Neither Appraisal wells, seismic surveys nor any other Petroleum Operations carried out as part of an Appraisal Programme or Assessment Plan approved under Article 13 shall discharge Contractor of obligations in respect of the Minimum Exploration Programme.

7.7 If in the course of drilling an exploration well, Contractor, in its reasonable opinion and after consultation with Minister, decides that drilling to the depth specified is impossible or imprudent in accordance with accepted petroleum industry drilling and engineering practice, Contractor may discontinue such operation. Such shortage of drilling depth shall not relieve Contractor of the obligation to carry out the committed Work Units. Where Minister concurs that further drilling is impossible or imprudent and where Contractor is otherwise unable to carry out the Work Units committed to, Minister may consider the payment in cash for the remaining committed and therefore Contractor would retain the option to enter into the next phase, where applicable.

ARTICLE 8

GUARANTEES

8.1 On the Effective Date, upon commencement of each subsequent phase of the Exploration Period entered into under Article 4 and upon the approval being granted for an Exploration Work Programme under Article 6 or for any additional Exploration or any Appraisal Work Programme pursuant to Article 13.6(c), Contractor shall provide Minister with irrevocable guarantees from a guarantor of financial substance acceptable to Minister for an amount equal to:

(a) the value of the Work Units committed to for the relevant work programme or phase;

(b) the sum of four hundred thousand (400,000) dollars in the currency of the United States of America for the performance of any obligation under the Contract other than those covered by the guarantees under (a) above.

Such guarantees shall be in a form and substance acceptable to Minister.

8.2 The respective amounts of the guarantees for obligations arising out of Work Programmes referred to in Article 8.1 shall be:

(a) For the first phase of the Exploration
Period - USD -----

(b) For the second phase of the Exploration
Period - USD -----

(c) For the third phase of the Exploration
Period - USD -----

8.3 Upon delivery to the issuing guarantor of a certificate from Contractor countersigned on behalf of Minister by a duly authorized official that the corresponding Work Units have been completed in accordance with the Contract and that all technical data related thereto have been delivered to Minister the guarantee(s) shall be reduced by the value of the Work Units that were committed to the applicable phase or programme.

8.4 Where Contractor has failed to perform in accordance with this Contract all or any part of accrued Work Programmes:

- a) at the end of any phase of the Exploration Period,
- b) at the end of an approved period in respect of a retained Exploration area pursuant to Article 6,
- c) at the end of an approved period in respect of an additional Exploration or Appraisal Work Programme pursuant to Article 13.6(c), or
- d) upon termination of this Contract

Contractor or its guarantor shall on demand from Minister immediately pay Minister the entire remaining amount of such outstanding guarantee or guarantees.

8.5 On the Effective Date Contractor shall deliver to Minister in a form acceptable to Minister an undertaking from the ultimate parent company that such parent company shall provide all technical and financial resources that its subsidiary may require to meet on a timely basis Contractor's obligations under the Contract.

ARTICLE 9

COORDINATION COMMITTEE

9.1 Within ten (10) days after the Effective Date, a Coordination Committee composed of four (4) members, two (2) of whom shall be appointed by Minister and two (2) by Contractor, shall be established. A Party, by at least ten (10) days' notice to the other Party, may replace one or more of its members on the Coordination Committee. The chairman of the Coordination Committee shall be appointed by Minister from the members appointed by him, and the secretary shall be named by Contractor from among its appointees. Additional representatives of either Party may attend meetings as observers or alternate members.

9.2 The mandate of the Coordination Committee is to assist Contractor in its activities under this Contract by providing a forum for continuous dialogue and flow of information between Contractor and Minister regarding Contractor's planned activities and progress related to the Contract Area. The Coordination Committee shall review proposals for revisions to agreed Work Programmes and budgets and periodically evaluate Contractor's progress in respect of approved Work Programmes, budgets, local content initiatives and other matters related to Petroleum Operations under this Contract.

9.3 Ordinary meetings of the Coordination Committee shall be held quarterly in Port of Spain, or any other location agreed by the Parties. Special meetings of the

Coordination Committee may be called on reasonable notice by either Party for the purpose of considering any major development or problems in Petroleum Operations.

9.4 The secretary's minutes of a meeting shall be prepared, and circulated within fourteen (14) days after adjournment of the meeting. A copy of such minutes shall be delivered to each of the Parties for information and appropriate action.

9.5 The Coordination Committee may from time to time designate one or more technical committees, composed of specialists appointed by the Parties to assist as required.

ARTICLE 10

UNDERTAKING BY CONTRACTOR

10.1 Resident Representative: Within thirty (30) days after the Effective Date Contractor shall designate a representative residing in Trinidad and Tobago who shall have full authority to represent it in respect of matters related to the Contract and to receive notices addressed to Contractor.

10.2 Office: Within ninety (90) days after the Effective Date, Contractor shall establish and maintain an office in Trinidad and Tobago with sufficient competence and capacity to conduct and perform Petroleum Operations in accordance with the terms of this Contract.

10.3 Conduct of Petroleum Operations: Contractor shall conduct Petroleum Operations hereunder in a continuous, diligent, and workmanlike manner, in accordance with applicable law and the Contract, and sound and current international Petroleum industry practices and environmental standards applicable from time to time in similar circumstances, all designed to achieve efficient and safe Exploration and Production of Petroleum and to maximize the ultimate economic recovery of Petroleum from the Contract Area. In this regard, Contractor shall ensure that all materials, equipment, technologies and facilities used in Petroleum Operations comply with the best engineering and environmental standards accepted in the international petroleum industry, and are kept in good

working order.

10.4 Local Content Commitment: Contractor shall comply with the Local Content Policy in effect from time to time. In performing Petroleum Operations under the Contract, Contractor shall provide for the maximum utilization of goods, services and facilities available in Trinidad and Tobago in accordance with the provisions of Article 25.2. Contractor shall employ with priority local personnel in all aspects of Petroleum Operations and shall undertake the training and development of such personnel in accordance with the provisions of Article 25.6. The Work Programmes and budgets submitted and reported pursuant to Articles 14 and 15 should indicate Contractor's estimate of the Local Content component of ongoing Petroleum Operations.

10.5 Notification of Work: Contractor shall provide Minister with regular and complete information concerning all Petroleum Operations and shall present to Minister prior to execution of specific work information relative thereto.

10.6 Records: Contractor shall prepare and maintain in Trinidad and Tobago at all times during the term of the Contract accurate and current records of its Petroleum Operations hereunder.

10.7 Reports: In accordance with Annex "B", Contractor shall submit to Minister detailed daily drilling reports and monthly physical progress reports covering in reasonable detail all the activities

carried out under this Contract, as well as all other reports as may be required by Minister.

10.8 Comprehensive Technical and Commercial Evaluation: Within ninety (90) days after completion of the Minimum Exploration Programmes under Articles 7.2, 7.3 and 7.4 respectively, and Work Programmes under Articles 6 and 13, Contractor shall prepare and present to Minister a comprehensive technical and commercial evaluation of the Petroleum potential of those portions of the Contract Area for which Exploration Operations and other activities have been performed or evaluated by the work conducted.

10.9 Data: Contractor shall provide Minister in accordance with Annex "B" any and all data, reports, samples, information, interpretation of such data and all other information or work product pertaining to the Contract Area including in particular all data for which the cost was recorded by Contractor as a cost of Petroleum Operations. Contractor may retain for use in Petroleum Operations hereunder copies of technical data. All original data shall be delivered by Contractor to Minister not later than the end of the term of the Contract. Subject to the prior approval of Minister, Contractor may:

- (a) export original data;
- (b) retain for use in Petroleum Operations hereunder original technical data;
- (c) export for processing or laboratory examination

or analysis, samples or other original materials, 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 Minister.

10.10 Inspection by Minister:

(a) Contractor shall enable at all reasonable times the duly authorized representatives of Minister and other agencies of the Government to inspect any part of Petroleum Operations and all facilities, installations, offices, records, books or data related to Petroleum Operations.

(b) All duly authorized representatives of Minister and other agencies of the Government agree to abide by the posted or published safety rules of Contractor during such inspections.

10.11 Use of Facilities: Contractor shall provide facilities to a reasonable number of duly authorized representatives of Minister and other agencies of the Government to perform their duties and obligations in relation to this Contract, including in the case of field operations, transportation, lodging, food and other amenities at equal conditions as those supplied by Contractor to its own staff.

10.12 Loss or Damage: Contractor shall bear responsibility in accordance with applicable law for any loss or damage to third parties caused by its employees' or Subcontractors' wrongful or negligent

acts or omissions and indemnify Minister and the Government against all claims and liabilities in respect thereof.

10.13 Legal Proceedings: Contractor shall give Minister timely notice of any legal proceedings in relation to this Contract.

10.14 Environment, Pollution, Safety: While conducting Petroleum Operations and in accordance with the sound and current international Petroleum industry practices, Contractor shall take and ensure that its Subcontractors and agents take necessary measures for safety of life; conservation of property, crops, fish, wildlife and navigation; protection of the environment; prevention of pollution; and safety and health of personnel, including but not limited to:

(a) ensuring security areas around all machinery and equipment;

(b) with respect to onshore support facilities, erecting of fences, if applicable, at a distance of not less than fifty (50) metres from any drilling rig, generator, or other equipment of a dangerous nature;

(c) providing secure storage areas for all explosives, detonators, and similar dangerous materials used in Petroleum Operations;

(d) preventing pollution or damage to any water-bearing formations and other natural resources;

(e) containing any blowout, fire or other emergency situation that would result in loss of reserves or damage to the reservoir;

(f) preventing unintentional entrance of fluids into Petroleum formations and the production of Crude Oil or Natural Gas from reservoirs at higher rates than consistent with good Petroleum industry practice;

(g) taking all necessary precautions to prevent pollution of or damage to the environment including the undertaking of remedial measures within a reasonable period to repair or offset damage to the environment in cases where Minister determines that any works or installations erected by Contractor or any operations conducted by or on behalf of Contractor endanger third party property or cause pollution or harm wildlife or the environment, including where pollution occurs promptly to treat or disperse it in an environmentally acceptable manner;

(h) reporting to Minister within twenty-four (24) hours in cases of death or serious injury to workers in the performance of duties connected with Petroleum Operations;

(i) arranging an adequate supply of first-aid medicines and equipment in each area and maintaining a healthy environment for the workers;

(j) providing safety and fire-fighting equipment and training of personnel in the use of such equipment in each work area; and

(k) participating in the National Oil Spill Contingency Plan, as is in force from time to time, and, in addition and without prejudice to its obligations thereunder, preparing and submitting to Minister for approval prior to commencing any drilling activities, an oil spill and fire contingency plan, which plan shall be implemented in the event of such a catastrophe.

10.15 Joint Operating Agreement: In the event there is more than one (1) Contractor Party, a joint operating agreement between the entities shall be executed within ninety (90) days of the Effective Date and submitted to Minister for his information. Contractor shall also supply to Minister for his information any other agreements executed by the entities comprising Contractor relating to the conduct of Petroleum Operations under this Contract within ten (10) days of execution of such agreements. Changes made to any of these agreements shall be submitted to Minister for his information within ten (10) days of the execution of such changes.

10.16 No change in the Operator shall take effect unless it has been approved by Minister.

ARTICLE 11

ANCILLARY RIGHTS OF CONTRACTOR

11.1 Contractor shall for the efficient conduct of Petroleum Operations have the right subject to appropriate arrangements with other operators and/or relevant authorities and as approved by Minister:

(a) to reasonable access to and from the Contract Area and to and from facilities pertaining to Petroleum Operations hereunder wherever located at all times, and to use of the land required; and

(b) to use in Petroleum Operations sand, gravel and water belonging to the public domain in accordance with the relevant laws and on payment of the generally prevailing charge for such resources in the locality of use.

ARTICLE 12

ASSISTANCE BY MINISTER

12.1 To enable Contractor to implement the Contract expeditiously and efficiently, Minister shall use best efforts when specifically requested by Contractor to assist Contractor among other things, in:

(a) obtaining right to use land, rights of way, permits and/or easements as may be required for the conduct of Petroleum Operations;

(b) obtaining licences or permits for transportation and communication facilities;

(c) complying with import/export controls and regulations and custom formalities and where applicable obtaining exemptions from customs and other duties;

(d) obtaining entry and exit visas for the foreign employees of Contractor and foreign Subcontractors who may come to Trinidad and Tobago for the implementation of the Contract, and members of their families;

(e) obtaining relevant work permits;

(f) obtaining access to all geological, geophysical, drilling, well and production information in the Contract Area; and

(g) dealing with Government authorities in general.

12.2 Minister shall be promptly reimbursed by Contractor for all reasonable expenses incurred in providing the assistance requested by Contractor in accordance with this Article 12.

ARTICLE 13

DISCOVERY, COMMERCIALIZATION PROCEDURE

13.1 If a Discovery is made in an Exploration Well, Contractor shall:

(a) immediately notify Minister of such Discovery;

(b) within thirty (30) days thereafter provide Minister with all available information regarding the Discovery, including a preliminary classification of the Discovery as Crude Oil or Natural Gas; and

(c) within ninety (90) days after such Discovery, also notify Minister whether or not it considers the Discovery of Crude Oil or Natural Gas to have commercial potential.

13.2 (a) If Contractor pursuant to Article 13.1 (c) notifies Minister that a Discovery of Crude Oil has commercial potential, it shall within thirty (30) days after such notice present to Minister for approval an Appraisal Programme. Minister shall respond within sixty (60) days of confirmation of receipt thereof.

(b) The Appraisal Programme shall:

(i) identify the Appraisal Area; and

(ii) specify in reasonable detail the Appraisal work including, but not limited to, seismic, drilling of wells and studies to be carried out, the estimated cost of these works, the Work Units related to these works and the time frame within which Contractor shall commence and complete the programme.

(c) Contractor shall carry out the approved Appraisal Programme under Article 13.2(a) within the time frame specified therein. Contractor may amend the Appraisal Programme subject to Minister's prior approval.

(d) Within ninety (90) days after completion of the Appraisal Programme Contractor shall submit to Minister a comprehensive evaluation report on the Appraisal Programme. Such evaluation report shall include, but not be limited to, the following information: geological conditions, such as structural configuration; physical properties and extent of reservoir rocks; pressure, volume and temperature analysis of the reservoir fluid; fluid characteristics, including gravity and composition of liquid and gaseous hydrocarbons, sulphur percentage, sediment and water percentage, and product yield pattern; production forecasts (per well and per Field); and estimates of recoverable reserves, projected delivery rate and pressure, quality specifications and other relevant technical and economic factors including economic feasibility studies carried out by Contractor in respect of its

declaration made under Article 13.6.

13.3 (a) If Contractor pursuant to Article 13.1(c) notifies Minister that a Discovery of Natural Gas has commercial potential, it shall within ninety (90) days after such notice present to Minister for approval an Assessment Plan. Minister shall respond within sixty (60) days of confirmation of receipt thereof.

(b) The Assessment Plan shall:

(i) identify the Assessment Plan area which shall not exceed the area encompassing the geological structure or feature in which the Discovery is made and a reasonable margin surrounding such structure or feature to be mutually agreed by Minister and Contractor, and

(ii) specify in reasonable detail the work that is needed to assess the Discovery, which may include but not be limited to seismic, drilling of wells and studies to be carried out, the estimated cost of these works and the time frame within which Contractor shall commence and complete such works.

(iii) evaluate marketing options for all Available Natural Gas, including the options provided for in Article II Section 2.1 of Annex E.

(c) Contractor shall carry out the approved Assessment Plan under Article 13.3(a) within the time frame specified therein. Contractor may amend

the Assessment Plan subject to Minister's prior approval.

(d) Within ninety (90) days after completion of the works included in the approved Assessment Plan, Contractor shall submit to Minister a comprehensive evaluation report including all available commercial and technical information relevant to the determination of a market for Available Natural Gas.

(e) Within ninety (90) days after the evaluation report under Article 13.3 (d) has been submitted, Minister shall notify Contractor of the marketing arrangements which Minister has decided to elect pursuant to Article II Section 2.1 of Annex E.

(f) Within sixty (60) days of such notification by Minister, Contractor shall notify Minister whether or not it wishes to retain the Natural Gas Discovery for a market development phase in accordance with Article 16.1.

- 13.4 (a) As soon as Contractor develops an acceptable market for Natural Gas, but in any event within the term of the Contract including any Market Development Phase granted under Article 16.1, Contractor may apply to Minister for approval and upon approval being granted promptly carry out an Appraisal Programme of the Natural Gas Discovery or may directly present an evaluation report based on the

Assessment Plan or the Market Development Phase pursuant to Article 16.1 hereof.

(b) The Appraisal Programme shall:

(i) identify the Appraisal Area; and

(ii) specify in reasonable detail the Appraisal work, including but not limited to seismic, drilling of wells and studies to be carried out, the estimated cost of these works and the Work Units related to these works and the time frame within which Contractor shall commence and complete the programme.

(c) Contractor shall carry out the approved Appraisal Programme under Article 13.4(a) within the time frame specified therein. Contractor may amend the Appraisal Programme subject to Minister's prior approval.

(d) Within ninety (90) days after completion of the Appraisal Programme Contractor shall submit to Minister a comprehensive evaluation report on the Appraisal Programme. Such evaluation report shall include, but not be limited to, the following information: geological conditions, such as structural configuration; physical properties and extent of reservoir rocks; pressure, volume and temperature analysis of the reservoir fluid; fluid characteristics, including gravity and composition of liquid and gaseous hydrocarbons, sulphur percentage, sediment and water percentage, and

product yield pattern; production forecasts (per well and per Field); and estimates of recoverable reserves, projected delivery rate and pressure, quality specifications and other relevant technical and economic factors including economic feasibility studies carried out by Contractor in respect of its declaration made under Article 13.6. Such report shall also include an analysis of marketing options in the internal market of Trinidad and Tobago.

13.5 If Contractor fails to present an Appraisal Programme under Article 13.2(a) or Assessment Plan under Article 13.3 that is acceptable to Minister, Contractor shall upon the request of Minister at any time thereafter relinquish an area which shall contain as a minimum the geological structure or feature in which the Discovery was made.

13.6 With the submission of the evaluation report pursuant to Articles 13.2 through 13.4, Contractor shall submit a written declaration to Minister indicating, that based on its evaluation report, it has determined the Discovery is either:

- (a) a Commercial Discovery; or
- (b) not a Commercial Discovery in which event Contractor shall be required to relinquish the areas pursuant to Article 5.

13.7 (a) If Contractor declares pursuant to Article 13.6(a) that a Discovery is a Commercial Discovery,

Contractor shall submit to Minister for approval, within ninety (90) days of such declaration, the following:

- (i) a proposed Development Plan;
- (ii) a proposed designation of the Production Area;
- (iii) a comprehensive environmental impact study covering the proposed Development and any related facilities or infrastructure inside or outside of the Contract Area, and
- (iv) evidence that Contractor is complying with the applicable legislation respecting approvals required by environmental authorities.

Minister shall respond within sixty (60) days of confirmation of receipt thereof.

(b) In the event Minister and Contractor are unable to reach agreement on any objections raised or changes proposed by Minister, Contractor or Minister shall have the right to request determination of the disputed issues pursuant to Article 33, in which case the decision shall be binding on both Minister and Contractor.

(c) Upon approval being granted, Contractor shall proceed promptly and diligently and in accordance with and sound and current international Petroleum industry practices to develop the Discovery, to

install all necessary facilities, to commence Commercial Production and to produce the Field in a manner that will achieve maximum economic recovery of the reserves. Production shall continue without interruption unless Minister is satisfied that the interruption is justified for technical or other reasons.

13.8 Contractor's proposed Development Plan under Article 13.7 shall detail Contractor's proposals for Development and operation of the Production Area and of any facilities and infrastructure up to the Measurement Point required outside of the Production Area. Such Development Plan shall set forth:

- (i) production parameters,
- (ii) number and spacing of wells,
- (iii) the facilities and infrastructure (including proposed locations) to be installed for Production, storage, transportation and loading of Petroleum,
- (iv) an estimate of the overall cost of the Development, and estimates of the time required to complete each phase of the Development Plan,
- (v) a production forecast and an estimate of ongoing capital and operating expenses involved to achieve the production profile, marketing arrangements for all Available Petroleum and any other factor which would affect the economic or

technical feasibility of the proposed
Development,

- (vi) profitability estimates,
- (vii) safety measures to be adopted,
- (viii) a description of the organisation to be
established in Trinidad and Tobago,
- (ix) measures to be implemented for the
employment of nationals and the utilization of
Local Goods and Local Services,
- (x) the proposed abandonment plan, and
- (xi) such other particulars as Minister may
direct.

13.9 Any significant changes to an approved
Development Plan or proposals related to extension of a
Field or for enhanced recovery projects shall be
discussed among the Parties and if agreed shall be
submitted in writing to Minister for his prior
approval. Minister shall respond within sixty (60)
days of confirmation of receipt thereof.

ARTICLE 14

EXPLORATION WORK PROGRAMME

14.1 (a) Contractor shall present to Minister for approval with respect to each Calendar Year during the Exploration Period an annual Work Programme and budget for the Contract Area. The Work Programme and budget shall be deemed approved as submitted if Minister does not respond within sixty (60) days of receipt. The first such Work Programme and budget shall be submitted within thirty (30) days after the Effective Date and each subsequent Work Programme and budget at least sixty (60) days before the beginning of the relevant Calendar Year.

(b) Within thirty (30) days following the end of each Quarter of the Calendar Year, Contractor shall provide to Minister a status report specifying the work and Work Units carried out during that Quarter, the approximate costs incurred during such period and any changes that Contractor plans to make to the Work Programme and budget as a result of operations to date in that Calendar Year. The status report corresponding to the fourth Quarter of each Calendar Year shall also contain an annual summary of the quarterly reports for that Calendar year.

14.2 In respect of the retained Exploration area approved under Article 6 and the Appraisal Area under Article 13, the provisions of 14.1 (b) shall apply.

14.3 Subject to Contractor's obligations under Article 7 and Minister's prior approval, Contractor may amend the Work Programme and budget approved under Article 14.1.

ARTICLE 15

DEVELOPMENT AND PRODUCTION WORK PROGRAMMES AND BUDGETS

15.1 Commencing in the Calendar Year in which Minister approves the first Development Plan for the Contract Area, Contractor shall prepare and submit to Minister for approval, in such form as Minister may direct, an annual Development and Production Work Programme and budget detailing by Calendar Quarter all aspects of the proposed Petroleum Operations to be carried out in relation to each Production Area and related facilities and infrastructure, the estimated cost thereof, duration and location of each operation, and, where applicable, the estimated monthly rate of production for each Production Area. Each proposed Work Programme and budget shall also include a forecast of yearly Development and Production activity and expenditure for the ensuing period of four (4) Calendar Years or the period up to the end of the term of the Contract, whichever is shorter.

15.2 The first Development and Production Work Programme and budget, covering the balance of the Calendar Year in which the first Development Plan is approved shall be submitted within thirty (30) days after the date of approval of such Development Plan. Thereafter, Contractor shall submit its proposed annual Work Programme and budget at least ninety (90) days before the beginning of the relevant Calendar Year.

15.3 Contractor's proposed Work Programme and budget shall be deemed approved as submitted if Minister does

not respond in writing within sixty (60) days after receipt.

15.4 If Minister objects to any part of Contractor's proposal, he shall notify Contractor within the period specified in Article 15.3. Minister's notice shall specify the modifications required by Minister and the reasons for same. If Contractor considers that any revision required by Minister renders the Work Programme and budget unacceptable to Contractor, Contractor shall within twenty-five (25) days after receipt notify and substantiate to Minister its reasons for that decision. Forthwith Minister and Contractor shall meet with a view to resolving any differences. If they fail to resolve their differences by the beginning of the Calendar Year for which the Work Programme is to apply, Contractor shall incorporate the modifications requested by Minister into the proposed Work Programme and budget submitted under Article 15.2 to the extent such changes:

(a) do not increase or decrease any line item of such proposed Work Programme and budget by more than ten percent (10%); and

(b) do not materially alter the Development Plan as approved by Minister provided that the Development and Production Work Programme and budget is consistent with such Development Plan.

Minister may direct Contractor to modify the proposed rate of production from any Field from which more than fifty percent (50%) of the production on an energy

equivalent basis is Crude Oil for any of the reasons contained in Sections 43(h), 43(i) and 43(s) of the Regulations, provided always that such changes in production levels shall not significantly alter the production levels agreed to between Minister and Contractor in the then current Development Plan. Notwithstanding the above provisions Minister reserves the right to modify production levels for safety considerations.

15.5 Contractor shall deliver to Minister within twenty-one (21) days after each Calendar Quarter a status report on the operations conducted and costs incurred under the approved Development and Production Work Programme and budget during such Calendar Quarter. The status report shall forecast any significant changes to such approved Work Programme and budget that Contractor anticipates may be necessary during the balance of the Calendar Year. The report corresponding to the last Quarter of each Calendar Year shall also include a year-end summary of operations and costs during such Calendar Year.

ARTICLE 16

NATURAL GAS

16.1 Where Contractor pursuant to Article 13.3 (f) hereof has notified Minister of intent to enter into a market development phase for the Discovery, Contractor and Minister shall within sixty (60) days after the election define by mutual agreement the portion of the Contract Area to be subject to market development phase. Such portion shall not exceed the area encompassing the geological structure or feature in which the Discovery was made and a reasonable margin surrounding such structure or feature to be mutually agreed by Minister and Contractor.

16.2 Subject to Articles 16.1 through 16.3, the duration of such market development phase shall not exceed five (5) years from the date of Contractor's notice under Article 13.3 (f). The market development phase shall end on the first to occur of:

- (a) the date following that on which the Natural Gas Discovery is declared a Commercial Discovery;
- (b) the date that Contractor voluntarily surrenders the market development area; or
- (c) five (5) years after the date of Contractor's notice under Article 13.3 (f).

Contractor shall be deemed to have relinquished all

rights to the Natural Gas Discovery if it does not declare the Discovery a Commercial Discovery by the end of the market development phase.

16.3 During the market development phase, Contractor shall pay to Minister at the end of each year of the market development phase or upon earlier termination an annual holding fee of two million (2,000,000) US dollars, reduced by duly verified amounts that Contractor has expended during such year under specific programmes approved by Minister on activities or projects directly attributable to the market development area. Expenditures for the following types of activities will be eligible as credits against the holding fee:

- (a) further geochemical, geophysical or geological surveys in the market development area;
- (b) the drilling and testing of any well in the market development area;
- (c) consulting, feasibility and marketing studies; and
- (d) market development for projects approved by Minister.

Amounts expended in a particular year in excess of the holding fee may be carried forward as a credit against the following years' holding fees if agreed by Minister in his approval of the programme under which the expenditure was made. The holding fee shall be applied

on a pro rata daily basis in the event Contractor relinquishes the market development area or declares such Natural Gas Discovery to be a Commercial Discovery prior to the end of such year.

16.4 Where Minister elects the options stated in Article II Sections 2.1 (b), (e) and (f) of Annex E, Contractor shall have primary responsibility for identification of a market for all Available Natural Gas from the market development area and the marketing procedures of Annex E shall apply to such Government's share of Profit Natural Gas.

16.5 (a) Where Minister elects the option stated in Article II Section 2.1 (a) of Annex E, Contractor shall have primary responsibility for developing a market for all Available Natural Gas from the market development area and for negotiation of arrangements for the sale thereof on a joint dedicated basis at prices and terms common to both Minister and Contractor. Contractor shall provide for the active participation of representatives of Minister in all such market development activities and related negotiations.

(b) Where Minister elects either of the options stated in Article II Sections 2.1 (c) and (d) of Annex E, Contractor shall have primary responsibility for developing a market for all Available Natural Gas from the market development area and for negotiation of arrangements for the sale thereof.

(c) The marketing arrangements for any Natural Gas sales contract pursuant to (a) and (b) above shall be subject to approval by Minister. In applying for such approval Contractor shall demonstrate to Minister that the price of such Natural Gas at the Measurement Point represents the maximum value obtainable for such Natural Gas. The approval of any export project shall be at the discretion of Minister.

16.6 Contractor may apply to Minister for the granting of an additional period, to be added to the term of this Contract, to facilitate the sale of Natural Gas under a gas sales contract as contemplated under Articles 16.4 and 16.5. Minister shall, subject to the execution of such gas sales contract, extend the term of this Contract, with respect to the Natural Gas Production Area corresponding to such gas sales contract, for a period which will allow for the supply of Natural Gas under the terms of the gas sales contract.

16.7 Contractor shall apply to Minister for such licences as may be required for operations in Trinidad and Tobago beyond the Measurement Point. Costs incurred in this regard shall not be subject to cost recovery under this Contract.

16.8 Contractor shall use with priority in Petroleum Operations, Associated Natural Gas, including use for reinjection for pressure maintenance or recycling operations to effect maximum economic recovery of Crude

Oil.

16.9 Minister may at any time call upon Contractor to deliver to Minister at the Field separator without compensation any quantity of Natural Gas, produced in association with Crude Oil, not being required by Contractor for Petroleum Operations or for sale, which may be needed in the public interest, provided that delivery does not unreasonably interfere with Contractor's Petroleum Operations. Government shall at its own cost provide and maintain any facilities beyond the delivery point required in connection with gathering, transport, processing or utilization of such Associated Natural Gas.

16.10 Contractor shall minimize flaring of any remaining Associated Natural Gas by re-injecting such Natural Gas into suitable strata or underground storage in accordance with good Petroleum industry practice. Contractor shall seek Minister's approval to flare any such natural gas which cannot be re-injected due to specific reservoir considerations or for other reasons that are in line with best practice employed in the petroleum industry. The decision to grant or refuse approval shall be at Minister's sole discretion. Any approval shall be subject to terms and conditions to be determined by Minister in light of the prevailing circumstances. Before flaring, Contractor shall take reasonable measures to ensure the extraction of natural gasoline and other liquids contained in the Associated Natural Gas if Minister and Contractor agree that such extraction is economically justifiable. Notwithstanding anything in this Article to the contrary, Associated

Natural Gas may be flared at any time if necessary for the conducting of well and production tests and during any emergency.

ARTICLE 17

BOOKS OF ACCOUNT, FINANCIAL REPORTING, AUDIT, AND

COST VERIFICATION

17.1 Contractor shall maintain in Trinidad and Tobago in accordance with the Accounting Procedure in Annex "C" and accepted accounting practices generally used in the international petroleum industry, books of account and such other books and records as may be necessary to show the work performed under the Contract, the costs incurred and the quantity and value of all Petroleum produced and saved from the Contract Area and not used in Petroleum Operations.

17.2 Contractor shall prepare for each Calendar Year financial statements including a balance sheet and profit and loss statement reflecting its operations under the Contract. Accounting methods, rules and practices applied for determining revenue and expense shall be consistent with sound and current international Petroleum industry practices and the laws of Trinidad and Tobago. Each Contractor Party shall also provide Minister with financial statements for each Calendar year. Each financial statement shall be certified by an independent certified firm of chartered accountants acceptable to Minister and shall be submitted, along with the auditor's report to Minister and Minister responsible for finance within ninety (90) days after the end of the Calendar Year to which it pertains.

17.3 Contractor shall also provide Minister with the various other financial reports required by Annex "C".

17.4 Minister and/or Minister responsible for finance shall have the right to inspect and audit Contractor's books, accounts and records relating to Petroleum Operations under the Contract for the purpose of verifying Contractor's compliance with the terms and conditions hereof. Upon reasonable advance notice such books, accounts and records shall be available in Trinidad and Tobago at all reasonable times for inspection and audit by duly authorized representatives of the Government, including independent auditors that may be employed by it. Fiscal audits shall be carried out within the period allowed under the Petroleum Taxes Act Chapter 75:04.

17.5 Minister and/or Minister responsible for finance may require Contractor to engage the auditors of any of the entities comprising Contractor to examine at Contractor's cost and in accordance with generally accepted auditing standards, the books and records of an Affiliate to verify the accuracy and compliance with the terms of the Contract insofar as a charge from the Affiliate of Contractor (or of any entity comprising Contractor) is included directly or through Contractor as a reimbursable cost under the Contract. Whenever audit of an Affiliate's books is requested, Minister shall specify in writing the item or items for which it requires verification from such independent audit. A copy of the independent auditor's findings shall be delivered to Minister and Minister responsible for finance within thirty (30) days after completion of

such audit.

17.6 Subject to the Accounting Procedure and the auditing provisions of the Contract, the following procedure shall be implemented with respect to each Calendar Month to verify and establish promptly Contractor's costs that qualify for cost recovery under Article 18.

(a) Contractor shall submit a statement of expenditure in accordance with the procedure detailed in Annex "C" to Minister who shall verify:

(i) that claimed costs qualify for cost recovery under the terms of the Contract and the Accounting Procedure; and

(ii) that the claimed amount of a qualifying cost is correct based on documentation made available at Contractor's office in Trinidad and Tobago.

(b) The statement of expenditure shall be deemed approved as submitted if Minister does not respond within ninety (90) days of receipt. If Minister takes written exception thereto, such written exception shall identify the particular cost or costs being contested and the reason for the query.

(c) Contractor shall submit to Minister within thirty (30) days after receipt of Minister's exception notice such additional information in written form as Minister may require or Contractor

considers appropriate to support the correctness and/or recoverability of the contested cost or costs. If Contractor does not make a written submission within such time supporting the charge, the cost or costs shall be deemed disallowed for purposes of cost recovery.

(d) If additional written information supporting the contested cost or costs is submitted by Contractor within the prescribed period, Minister shall notify Contractor of his decision within thirty (30) days after receipt of such information.

(e) If Minister notifies Contractor that the exception remains, the charge shall be deemed disallowed for purposes of cost recovery under the Contract subject to the right of Contractor to request within thirty (30) days after the receipt of such notice that the final determination as to recoverability of the disputed cost or costs be made by an expert pursuant to Article 33.8.

(f) Contractor shall promptly correct its books of account to reflect any changes resulting from the cost verification procedure.

17.7 Except as otherwise agreed in writing between Minister and Contractor, all transactions giving rise to revenues, costs or expenses which will be credited or charged to the books, accounts, records and reports prepared, maintained or submitted hereunder shall be conducted at Arms Length or on such a basis as will assure that all such revenues will not be lower and,

costs or expenses will not be higher than would result from a transaction conducted at Arms Length on a competitive basis with third parties.

17.8 (a) Audit Process

All audits by Minister shall be completed within thirty-six (36) Months after the termination of the Contract Year to which such audits apply. Auditors may examine all books and accounts and records of Contractor for a specific period of time or may examine only a specific aspect of such records.

Minister shall give at least 30 days notice to Contractor of its intention to conduct an audit. In carrying out such audit, Minister shall not interfere unreasonably with the conduct of operations under the Contract. Minister may at its sole discretion, engage third parties to assist with or execute any or all aspects of the audit. Contractor shall provide all necessary facilities for auditors appointed hereunder by Minister including working space and access to all relevant personnel, records, files and other materials and the required codes to the management information system.

(b) Final Statements.

Subject to any adjustments resulting from such audits or notification of a dispute by Minister, reports and statements shall be considered final and not subject to further audit after the end of the period provided for under 17.8 (a).

Notwithstanding any provision herein or in the Contract to the contrary, if in a subsequent period an issue or error is identified which relates to another period or to fraud or willful misconduct alleged to have occurred at any time, Minister shall have the right to re-examine reports and statements otherwise considered final or not previously audited.

(c) Audit Resolution Process.

Within 90 days after the end of audit fieldwork, Minister shall present to Contractor a report setting out audit exceptions, claims and queries. Contractor shall allow or deny in writing all exceptions, claims and queries set out in the report within 90 days of the presentation of the report (the "Review Period"). All denials shall be accompanied by a detailed statement of Contractor's reasons and supporting evidence. All exceptions, claims or queries that are not denied within the Review Period will be deemed allowed. Minister and Contractor shall have up to 90 days from the end of the Review Period to reach final resolution on exceptions, claims and queries which have been denied. If outstanding exceptions, claims and queries are not resolved during this period, either Party may initiate dispute resolution procedures in accordance Article 33 hereof.

(d) Affiliates and Subcontractors.

Contractor shall be required to include in Contractor's contracts with Affiliates and subcontractors audit and record retention provisions which allow Minister to audit the books and records of the Affiliates or subcontractors to the extent that they relate to this Contract and to retain records, all in accordance with the requirements of this Accounting Procedure.

(e) Audits by Contractor Party

If any Contractor Party conducts an audit of the books and records of Operator or any other Contractor Party pertaining to the Contract, it shall provide to Minister a copy of the audit results, a report setting out the audit exceptions, claims and queries and the manner in which these exceptions, claims and queries were finally allowed or denied by Operator.

(f) Retention

Subject to the delivery of books, records and documents to Minister in accordance with the Contract upon termination of the Contract, all books, records and documents must be maintained by Contractor, Contractor's Affiliates and subcontractors and made available for inspection until the later of:

- (1) seventy-two (72) Months after the termination of each Contract Year;
- (2) if any cost or amount is under dispute, the time at which that dispute has been resolved;

and

(3) such longer period as may be legally required.

ARTICLE 18 - ALLOCATION OF PRODUCTION, RECOVERY OF
COSTS AND EXPENSES, PRODUCTION SHARING AND RIGHT OF
EXPORT

18.1 Contractor shall have the right to use free of charge Petroleum produced from the Contract Area to the extent reasonably required for Petroleum Operations under the Contract.

18.2 All Available Petroleum shall be measured at the applicable Measurement Points and allocated as set forth hereinafter. Test or experimental production, to the extent not required for Petroleum Operations hereunder, shall be deemed Profit Petroleum and shall be allocated between Minister and Contractor in accordance with Article 18.14.

18.3 Contractor and Minister shall review annually Contractor's production programme from each Production Area having due regard to ensuring compliance with Contractor's obligations under Article 10.

18.4 Contractor shall prepare and provide Minister not less than ninety (90) days prior to the beginning of each Calendar Quarter following commencement of Commercial Production a written forecast setting out the total quantity of Petroleum that it estimates can be produced and saved hereunder during each Month for the next four (4) Calendar Quarters in accordance with good Petroleum industry practice and the Production programme established in accordance with Article 18.3. Contractor shall endeavour to produce each Calendar

Month the forecast quantity.

18.5 (a) All Available Crude Oil shall be run, if applicable, to storage tanks constructed, maintained and operated at the Measurement Point where it shall be measured for purposes of this Contract and delivered to Minister and each Contractor Party who shall each take in kind, assume risk of loss and separately dispose of their respective entitlement.

(b) Prior to commencement of Commercial Production of Crude Oil from the Contract Area, Minister and Contractor shall agree on a procedure for taking volumes of Crude Oil corresponding to their respective entitlements on a regular basis and in a manner that is appropriate having regard to the respective destinations and uses of the Crude Oil.

18.6 (a) All Available Natural Gas shall be measured at the Measurement Point where it shall be valued and delivered to Minister and each Contractor Party who shall each take in kind, assume risk of loss and separately dispose of their respective entitlement.

(b) All Available Natural Gas shall be disposed of in accordance with the marketing arrangements developed pursuant to Articles 16.4 and 16.5.

Cost Recovery

18.7 Subject to the Accounting Procedure and the auditing provisions of the Contract, Contractor shall recover costs and expenses duly verified in accordance

with Article 17 of the Contract in respect of the Petroleum Operations hereunder to the extent of and out of 55% of all Available Crude Oil and/or all Available Natural Gas from the Contract Area, (hereinafter referred to as "Cost Recovery Crude Oil" and/or "Cost Recovery Natural Gas" and collectively as "Cost Recovery Petroleum").

18.8 Subject to Article 18.9 such costs and expenses shall be allocated to the applicable recoverable Crude Oil cost account or recoverable Natural Gas cost account and shall be recovered from the relevant account on a first in, first out basis subject to the following:

(a) costs incurred in respect of Exploration Operations may be recovered on an expensed basis;

(b) capital costs incurred in respect of Development and Production Operations may be recovered on an expensed basis commencing in the year in which such expenditure is incurred.

(c) annual operating costs, may be recovered in the year in which they are incurred; and

(d) annual administrative overhead costs, up to the limits established in Article 2(1) of the Accounting Procedure may be recovered in the year incurred.

18.9 To the extent that in a Calendar Year the

recoverable costs or expenses related to the Contract Area exceed the amount allowable for Cost Recovery Crude Oil or Cost Recovery Natural Gas from the Contract Area, for such Calendar Year, then the excess shall be carried forward for recovery in the next succeeding Calendar Years until fully recovered, but in no case after termination of this Contract.

18.10 To the extent that the amount of Cost Recovery Crude Oil or Cost Recovery Natural Gas received by Contractor from the Contract Area during a Calendar Month is greater or less than the amount Contractor was entitled to receive for that Month, an appropriate adjustment shall be made in accordance with internationally accepted accounting principles.

Profit Petroleum

18.11 The remaining Available Petroleum including any portion of Cost Recovery Crude Oil or Cost Recovery Natural Gas not required to cover costs hereinafter referred to as "Profit Crude Oil" and/or "Profit Natural Gas" and collectively as "Profit Petroleum") shall be allocated between the Government and Contractor.

18.12 Contractor's share of Profit Petroleum shall be the remaining portion after deducting the Government's share in accordance with the provisions of Article 18.14.

18.13 The Government's share of Profit Crude Oil without Condensates and/or Profit Natural Gas and Condensates for a Calendar Month from the Contract Area shall be determined separately for Crude Oil without Condensates and Natural Gas and Condensates by reference to the applicable price class in the relevant table(s) detailed hereunder. The relevant price class shall be determined using the value of Profit Crude Oil and Profit Natural Gas calculated in accordance with Article 20 herein. The average daily production rates referred to in the production tiers set out in the tables hereunder shall be calculated for each Calendar Month by dividing the respective volumes of Available Crude Oil without Condensates and Available Natural Gas and Condensates produced from the Contract Area during that Month by the number of days in such Month. The volumes of Available Natural Gas and Condensates shall be determined on a Natural Gas equivalent basis, converting each barrel of condensates into 5.6 thousand cubic feet of Natural Gas equivalent and adding the converted Condensate volumes to the Natural Gas equivalent production.

Government's share of Profit Crude Oil without
Condensates (percent %)

The Government's share of Profit Crude Oil without Condensates shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Crude Oil Price Class</u>		
	A	B	C
D			
Production up to 7,500 B/D 0	0	0	0
Production in excess Of 7,500 B/D up to 25,000 B/D x	0	x	x
Production in excess of 25,000 B/D and up to 50,000 B/D x	x	x	x
Production in excess of 50,000 B/D and up to 100,000 B/D x	x	x	x
Production in excess of 100,000			

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B/D and up to 200,000 B/D	x	x	x
x Production in			
excess of 200,000 B/D	x	x	x
x			

Where:

Price Class A refers to Government's share for a Crude Oil price less than or equal to US \$50.00 per Barrel.

Price Class B refers to Government's share for a Crude Oil price greater than US \$50.00 per barrel but less than or equal to US \$65.00 per Barrel.

Price Class C refers to Government's share for a Crude Oil price greater than US \$65.00 per barrel but less than or equal to US \$80.00 per Barrel.

Price Class D, Crude Oil Price greater than USD 80.00 per Barrel, the Government's share of Profit Crude Oil is equal to:

$$BR + 70\% [P - USD 80) / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and P is the Crude Oil price

(b) Government's share of Profit Natural Gas and Condensates (percent %)

The Government's share of Profit Natural Gas and Condensates shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Natural Gas Price Class</u>			
	A	B	C	D
<u>In terms of MMcfd equivalent</u>				
Production up to 45 MMcfdeq	x	x	x	x
Production in excess Of 45 MMcfdeq and to 150 MMcfdeq	x	x	x	x
Production in excess of 150 MMcfdeq and up to 300 MMcfdeq	x	x	x	x
Production in excess of 300 MMcfdeq and up to 600 MMcfdeq	x	x	x	x
Production in excess of 600 MMcfdeq and up to 1,200 MMcfdeq	x	x	x	x

Production in excess
of 1,200 MMcfdeq x x x x

Where:
Price Class A refers to Government’s share for a Natural Gas Deemed Fair Market Value less than or equal to US \$4.00 per Mcf.

Price Class B refers to Government’s share for a Natural Gas Deemed Fair Market Value greater than US \$4.00 per Mcf but less than or equal to USD 5.50 per Mcf.

Price Class C refers to Government’s share for a Natural Gas Deemed Fair Market Value greater than US \$5.50 per Mcf but less than or equal to US \$7.00 per Mcf.

Price Class D, Natural Gas Deemed Fair Market Value greater than USD 7.00 per Mcf, the Government’s share of Profit Natural Gas is equal to:

$$BR + 70\% [(P - \text{USD } 7.00) / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and P is the Natural Gas price.

(c) Government's share of Condensates

18.15. The Government's share of Condensates shall be the percentage determined under Article 18.14 (b) multiplied by the Condensate price in US \$ per barrel, multiplied by the Condensate production in barrels.

18.16. For determination of Government's share of Profit Natural Gas, the Natural Gas price used in 18.14 shall be the Deemed Fair Market Value for gas sold in the Export Market. The Deemed Fair Market Value shall be applied regardless of the actual sales contracts for the gas.

ARTICLE 19

MEASUREMENT OF PETROLEUM

19.1 All Petroleum produced, saved and not used in Petroleum Operations shall be measured at the Measurement Points approved in the Development Plan.

19.2 The Measurement Points shall be at the end of the facilities for which the cost is included as a recoverable cost of Petroleum Operations under the Contract.

19.3 The production shall be measured in accordance with the highest standards generally accepted in the international Petroleum industry. All measurement equipment shall be installed, maintained and operated by Contractor. Minister shall have the right to inspect the measuring equipment installed by Contractor and all charts and other measurement or test data at all reasonable times. The accuracy of Contractor's measuring equipment shall be verified by tests at regular intervals and upon the request of Minister, using the best means and methods generally accepted in the international Petroleum industry.

19.4 Upon discovery of a meter malfunction, Contractor shall immediately have the meter repaired, adjusted and corrected and following such repairs, adjustment or correction shall have it tested or calibrated to establish its accuracy. Upon the discovery of a metering error, Contractor shall have the meter tested immediately and shall take the

necessary steps to correct any error that may be discovered.

19.5 In the event a measuring error is discovered, Contractor shall use its best efforts to determine the correct production figures for the period during which there was a measuring error and the corrected figures shall be used. In determining the correction, Contractor shall use, where required, the information from other measurements made inside or outside the Production Area. Contractor shall submit for Minister's approval a report detailing the source and nature of the measuring error and the corrections to be applied. If it proves impossible to determine when the measuring error first occurred, the commencement of the error shall be deemed to be that point in time halfway between the date of the last previous test and the date on which the existence of the measuring error was first discovered.

19.6 All measurements for all purposes in this Contract shall be adjusted to standard conditions of pressure and temperature (sixty (60) degrees Fahrenheit and 14.7 p.s.i.a.).

ARTICLE 20 - VALUATION

20.1 The value of Crude Oil from each Production Area shall be the Fair Market Value of such Crude Oil at the Measurement Point.

20.2 The Fair Market Value of Crude Oil, shall be determined taking into account the quality, volume, cost of transportation, terms of payment, and any other relevant conditions, including the then prevailing market conditions for crude oil.

20.3 Where different grades of Crude Oil are being produced from the Contract Area, the value shall be determined and applied for each grade of such Crude Oil. However, in the event that different grades of such Crude Oil are blended together for sale then the value of such a blend shall prevail.

20.4 (a) Contractor shall present to Minister, within ten (10) days after the end of each Calendar Month during which Crude Oil is produced and measured from a Production Area, its proposal as to the Fair Market Value of the particular Crude Oil for the preceding Month. Such proposal shall be accompanied by information supporting Contractor's proposal, including FOB sales prices for the particular Crude Oil and/or comparable crude oils delivered during such preceding Calendar Month by Contractor or other producers from Trinidad and Tobago or other producing countries or from publications evidencing such sale prices.

(b) The proposals shall be deemed approved, as submitted, under Article 20.4 (a) if Minister fails to respond within thirty (30) days of receipt.

(c) If Minister takes written exception to Contractor's proposal, Minister shall include with such notice a counter-proposal for the value of the particular Crude Oil.

(d) If Contractor accepts Minister's counter-proposal or does not take written exception thereto within ten (10) days after receipt, Minister's counter-proposal shall be the value for the Calendar Month for which the price is being determined.

(e) If Contractor takes written exception to Minister's counter-proposal within the prescribed period, authorized representatives of Minister and Contractor shall meet to establish the value for the Calendar Month for which the determination is being made, in accordance with the principles outlined under Article 20.5.

20.5 For the resolution of matters pursuant to Article 20.4 (e), the following principles shall apply in determining the value of Crude Oil:-

(a) a basket of widely traded reference crudes similar in quality to the crude to be valued shall be selected and the international market prices of the crudes selected shall be used as the base value

for the crude to be valued;

(b) an appropriate price-setting market where substantial quantities of the reference crudes are traded at Arms Length and on an ongoing basis shall be chosen;

(c) the crude oils to be included in the basket shall be proposed by Contractor as part of the Development Plan under Article 13.7 to be approved by Minister;

(d) in the event that one or more of the crude oils comprising an agreed basket no longer meets the requirements of Article 20.5(a), a replacement crude oil shall be determined by agreement between Minister and Contractor;

(e) transportation differential shall be taken into account, that is to say, the difference between the cost of transporting to the price-setting market, the reference crudes and the Crude to be valued;

(f) interest charges on the value of the inventory in transit may be considered in determining transportation costs;

(g) other relevant considerations.

20.6 The value of Natural Gas with respect to the Export Market shall be based on the Deemed Fair Market Value. For the Internal Market the value shall be the Fair Market Value determined at the Measurement Point

as approved by Minister pursuant to Article 16.5 (c) hereof.

20.7 Subject to the provisions of this Article 20, in the event of any dispute between Minister and Contractor concerning the Fair Market Value of Crude Oil or Deemed Fair Market Value of Natural Gas, such dispute may be referred by either Party for final determination in accordance with Article 33.

ARTICLE 21

FINANCIAL OBLIGATIONS

21.1 Contractor's financial obligations towards Minister, which it shall satisfy at its own expense, shall consist of the following payments:

- (a) Minimum payment in respect of each hectare of the Contract Area retained by Contractor from time to time throughout the period of this Contract at the following rates:-

	USD per hectare per annum
During the 1st Contract Year	5.50
During the 2nd Contract Year	6.00
During the 3rd Contract Year	6.50
During the 4th Contract Year	7.00
During the 5th Contract Year	7.50
During the 6th Contract Year	8.00
During the 7th Contract Year	8.50
During the 8th Contract Year	9.00
During the 9th Contract Year	9.50

Thereafter minimum payment shall increase annually at a rate of six percent(6%) for the unexpired term of the Contract. Minimum payment shall be payable quarterly in advance within the first ten (10) days of January, April, July and October. No refund shall become due if before the end of a quarterly period a part of the area has been surrendered.

(b) Annual charges payable within ten (10) days of the Effective Date of this Contract and thereafter within the first ten (10) days of each Contract Year in respect of the following items:

(i) An administrative charge of three hundred thousand (300,000) US dollars during the first year of this Contract increasing annually at a rate of six percent (6%) for the unexpired term of the Contract. No refund shall be due if Contractor ceases operation prior to the end of a Contract Year.

(ii) A training contribution to the University of Trinidad and Tobago or the University of the West Indies or such institution as Minister may direct for the financing of training of nationals in appropriate fields of study associated with the energy sector as follows:

1.a payment of one hundred and twenty thousand (120,000.00) US dollars for the first year of the Contract and increasing annually at a rate of six percent (6%) until Commercial Discovery;

2.in the event of a Commercial Discovery the amount shall increase to one hundred and fifty thousand (150,000.00) US dollars in the year following Commercial Discovery increasing by six percent (6%) per annum until production commences from the first Production Area under the Contract; and

3. where the first Production Area under the Contract has initiated production, the payments under this paragraph (ii) shall become 0.25% of the value of Contractor's share of Profit Petroleum on a monthly basis.

In the event that these funds are not utilized as prescribed above during any Contract Year, Contractor shall pay to Minister an amount equivalent to funds not expended.

(iii) A research and development contribution for the financing of Petroleum related research and development activity as follows:

1. a payment of one hundred and twenty thousand (120,000.00) US dollars for the first year of the Contract and increasing annually at a rate of six percent (6%) until Commercial Discovery;

2. in the event of a Commercial Discovery the amount shall increase to one hundred and fifty thousand (150,000.00) US dollars in the year following Commercial Discovery increasing by six percent (6%) per annum until production commences from the first Production Area under the Contract; and

3. where the first Production Area under the Contract has initiated production, the payments under this paragraph (ii) shall become 0.25% of the value of Contractor's share of Profit Petroleum on a monthly basis.

(c) A signature bonus of XXX million (XXX,000,000) US dollars payable on the Effective Date of this Contract.²

(d) Production bonuses payable on first attainment of a sixty (60) consecutive day average at or in excess of the production levels detailed hereunder:

<u>Petroleum production in Barrels per day (BOPD)</u>	<u>Production bonus payments in USD</u>
75,000	\$1,500,000.00
100,000	\$2,000,000.00
150,000	\$3,000,000.00
2,100,000	\$4,000,000.00
thereafter for every, 50,000 BOPD exceeding 2,100,000 BOPD	\$1,000,000.00

In computing the production levels referred to above, Natural Gas production shall be added to Crude Oil production after converting to Barrels of Crude Oil on an Energy Equivalent Basis.

² Should there be a need to use as a tiebreaker

(e) A technical assistance/equipment bonus of two hundred thousand (300,000) US dollars payable as directed by Minister either:

(i) in cash within ten (10) days of the Effective Date of this Contract; or

(ii) in technical assistance and /or equipment to a total delivered cost of xxx hundred and xxxx thousand (xxx,000)US dollars. Such technical assistance and/or equipment shall be delivered to Minister within three (3) months of the date that a list of such technical assistance and /or equipment is agreed between Minister and Contractor.

(f) Fund the award of scholarships for the training of nationals of Trinidad and Tobago in appropriate fields of study associated with the Energy industry. The value of such funding shall be one hundred thousand (\$100,000) US dollars per annum for the first year of the Contract and increasing at a rate of six percent (6%) annually for the unexpired term of the Contract.

21.2 Contractor shall be subject to payment of assessment or contributions, assessed on employees by generally applicable law on labour costs. Contractor shall also guarantee the payment of any Trinidad and Tobago income tax due from its foreign employees.

21.3 Contractor and its Subcontractors and their

respective personnel shall be obliged to pay such transfer taxes and stamp duties as may be in effect from time to time at the rates which are generally applicable to all persons or entities in Trinidad and Tobago.

21.4 Contractor shall be subject to and must observe the laws in force from time to time in Trinidad and Tobago and nothing herein contained shall be construed as exempting Contractor from complying with the laws imposing taxes, duties, levies, fees, charges or similar impositions or contributions which Contractor would be liable to pay or is called upon to pay under such laws by virtue of its conduct of Petroleum Operations hereunder.

21.5 The Government's share of petroleum shall be in lieu of Supplemental Petroleum Tax, Petroleum Impost, Royalty, and Petroleum Production Levy being obligations which Contractor ordinarily would have been liable to pay in accordance with the laws of Trinidad and Tobago. The Government's share shall not be a deduction for tax purposes.

21.6 Each entity comprising Contractor shall pay its liability for Petroleum Profits Tax, Unemployment Levy, Green Fund Levy and Withholding Tax arising out of income or profits derived from the conduct of Petroleum Operations. Contractor shall also furnish to the relevant tax authority and Minister a statement showing the manner in which the Government's share of Profit Petroleum is computed and any other information as may be required.

21.7 For the purpose of applying Article 21.6, the gross income of each Contractor Party in respect of any year of income shall be based on the value of the total of its share of Profit Petroleum plus Cost Recovery Petroleum and other sources of income for tax purposes.

21.8 Minister shall save Contractor harmless from Royalty, Petroleum Impost, the Supplemental Petroleum Tax and the Petroleum Production Levy.

21.9 Profits and/or losses resulting from any Petroleum Operations carried out by Contractor or any Contractor Party under any of its Taxable Production Sharing Contracts for Deep Water Blocks in Trinidad and Tobago may be consolidated for tax purposes.

ARTICLE 22

PAYMENT AND CURRENCY

22.1 All payments which the Contract requires Contractor to make to Minister or the Government shall be made in United States dollars at a bank designated by recipient. Contractor may make payment in other currencies, if acceptable to recipient.

22.2 Conversion of all payments made by Contractor in Trinidad and Tobago into United States dollars or any other currency acceptable to the recipient shall be effected at the generally prevailing rate of exchange at the time of payment.

22.3 All payments due to Contractor from Minister shall be made in United States dollars or any other currency acceptable to Contractor, at a bank to be designated by Contractor.

22.4 Contractor shall have the right to receive, retain abroad and use without restriction the entirety of proceeds received from its sales of its share of Petroleum from the Contract Area subject to Contractor satisfying completely its then accrued financial obligations under this Contract.

22.5 Contractor shall during the term of the Contract have the right without the imposition of any control, except as otherwise imposed by the terms of the Contract, to make any payments and to maintain and operate bank accounts outside Trinidad and Tobago in

whatsoever currency. Contractor may also operate and maintain United States dollar or other foreign currency bank accounts within Trinidad and Tobago subject to applicable law.

ARTICLE 23

MATERIALS AND EQUIPMENT IMPORT DUTIES

23.1 Contractor shall provide all equipment, machinery, tools, spare parts and any other goods of a similar nature ("Materials") required for Petroleum Operations under this Contract.

23.2 Such Materials shall be provided by Contractor in accordance with programmes and budgets under Articles 14 and 15 and shall be acquired pursuant to procurement procedures specified by Contractor under Article 1.7 of the Accounting Procedure.

23.3 Contractor shall give preference to the use of locally manufactured or locally available Materials when such are comparable with the competing imported Material in quality and availability and the price thereof does not exceed the c.i.f. price (including import duties where applicable) of the imported Material delivered to the Contract Area. In this regard Contractor shall maintain records and accounts and provide reports in accordance with the provisions of Article 12 of the Accounting Procedure.

23.4 Subject to Article 23.3, Contractor shall have the right to import any Materials required for Petroleum Operations. In this regard Contractor shall comply with generally applicable importation formalities and pay import and excise duties to the extent not exempt therefrom by generally applicable law.

ARTICLE 24

OWNERSHIP OF ASSETS

24.1 Subject to Article 24.3, ownership of any asset, whether fixed or moveable, acquired and owned by Contractor in connection with Petroleum Operations hereunder shall pass to Minister without consideration when the part of the Contract Area in which the asset is located is relinquished or at the end of the term of this Contract, whichever first occurs, except in cases where Minister notifies Contractor that he does not accept the particular asset. Where Minister elects not to take a particular asset Contractor shall carry out the approved abandonment programme under Article 37 and shall be free to dispose of the asset in accordance with applicable law.

24.2 Where Production from a Production Area is possible beyond the term of the Contract, Contractor shall hand over to Minister without consideration such Production Area and all facilities required for carrying out existing operations, in good working order, normal wear and tear excepted. Upon the transfer of said Production Area and related facilities, Minister shall assume all responsibility for the facilities and their abandonment and hold Contractor harmless against any liability with respect thereto accruing after the date of such transfer to Minister.

24.3 Subject to Article 24.2, whenever Contractor relinquishes any part of the Contract Area, all

moveable property located within the part of the Contract Area so relinquished, may be removed to any part of the Contract Area that has been retained.

24.4 The provisions of Articles 24.1 and 24.2 shall not apply to materials, facilities, or other property that are rented or leased to Contractor or which belong to employees of Contractor, provided that the ownership of any such item by other than Contractor is clearly documented with Minister at the time of entry into Trinidad and Tobago or of local acquisition.

24.5 In the event Contractor desires to move property located on the Contract Area but no longer used in Petroleum Operations to another location within Trinidad and Tobago for further use prior approval of Minister shall be required. Upon receipt of such approval Contractor shall pay to Minister either:

(a) an amount equal to a transfer price mutually agreed upon by the Parties, or

(b) if no price is agreed and Contractor still desires to move the property as provided herein, an amount equal to the percentage of the cost of such property that has been cost-recovered under this Contract as of the date such property is moved multiplied by the depreciated value of the property determined in accordance with applicable law.

24.6 In the event Contractor desires to use property located on this Contract Area for Petroleum Operations not related to this Contract Area the prior approval of

Minister shall be required. The terms and conditions under which the facilities shall be used for such purpose shall be subject to the approval of Minister.

ARTICLE 25

SUBCONTRACTORS, PERSONNEL AND TRAINING

25.1 Contractor has the right to use qualified Subcontractors to provide specialized equipment or services.

25.2 Contractor shall provide Local Enterprises opportunities, in competition with foreign entities, to provide any services or equipment required in connection with Petroleum Operations. The procurement procedures submitted pursuant to Article 1.7 of the Accounting Procedure shall contain appropriate measures in accordance with the provisions of Article 39 to ensure Contractor's compliance in this regard. Contractor shall give preference to Local Enterprises as Subcontractors where bids placed by such are competitive with foreign bids in skills, resources, availability and price and meet the technical and financial requirements of Contractor.

25.3 Prior to the commencement of any contract, Contractor shall provide Minister with all necessary information covering each Subcontractor including, upon Minister's request, an executed copy of any contract and related agreements and changes thereto.

25.4 Contractor undertakes to employ, and ensure that its Subcontractors employ, with priority nationals of Trinidad and Tobago in all aspects of Petroleum Operations to the extent that these nationals with the

requisite qualifications and experience can be found.

25.5 Contractor shall minimize and ensure that its Subcontractors minimize the employment of foreign personnel but may subject to the provisions of this Contract and applicable law employ foreign nationals:

(a) to the extent that qualified nationals cannot be found to fill the positions required;

(b) to fill a limited number of specialist technical or managerial positions, provided that there are clearly identified counterpart national understudies together with comprehensive programmes for their development in accordance with the provisions of Article 25.6; and

(c) to provide short-term specialist expertise.

25.6 Contractor shall undertake the development and training of its national personnel (including training for the specific purpose of taking over positions held by expatriate personnel) for all positions including administrative, technical and executive management positions. Contractor shall, together with its annual Work Programme and Budget, prepare and submit annually to Minister for approval programmes for such development and training. Contractor shall include a status report on these programmes with its submission of the quarterly status report required under Articles 14.1(b) and 15.5.

25.7 Contractor shall at its own expense as part of

Petroleum Operations provide a reasonable number of personnel of the Ministry with on-the-job training and where appropriate and practicable, with overseas training, based on a mutually agreed programme. On-the-job training shall involve the inclusion of representatives of Minister on project teams responsible for various aspects of Petroleum Operations under this Contract.

25.8 Contractor shall also submit to Minister together with its submission of the annual Work Programme and budget, the details of all the payments, benefits and privileges accorded for each classified category of Contractor's personnel (both expatriate and local).

ARTICLE 26

STATE'S RIGHT OF REQUISITION

26.1 In case of war or imminent expectation of war or grave national emergency (as provided for in Section 36 of the Act), the President may requisition all or a part of the Petroleum production from the Contract Area and require Contractor to increase such production to the extent required. In such event, the price to be paid by the President for the Petroleum shall be the value determined in accordance with Article 20 of the Contract and payment shall be made within thirty (30) days after delivery in US dollars at a bank outside of Trinidad and Tobago designated by Contractor.

26.2 In the event of any requisition as provided above, the President shall indemnify Contractor in full for the period, during which the requisition is maintained, including all reasonable damages, if any, which result from such requisition.

ARTICLE 27

UNITIZATION

27.1 If a Petroleum Discovery in the Contract Area extends beyond the boundaries of the Contract Area, Minister may require that the Development of the Discovery and the Production of Petroleum therefrom be carried out in collaboration with the entity or entities that have the right to conduct Petroleum Operations in the areas into which the Discovery extends.

27.2 In such case, a collective proposal for common Development and Production of the deposit of Petroleum shall be proposed by Contractor and such other entity or entities for approval by Minister. If such proposal is not approved, Minister may prepare or cause to be prepared, for the account of Contractor and the other entities involved a reasonable plan for common Development and Production.

27.3 Where one or more of the entities object to the programme prepared by Minister under Article 27.2 it or they may within twenty-eight (28) days of receipt of the programme, submit the matter for determination in accordance with Article 33.

ARTICLE 28

CONFIDENTIALITY

28.1 Any and all data, reports, samples, information, interpretation of such data and all other information or work product pertaining to the Contract Area including in particular all data for which the cost was recorded by Contractor as a cost of Petroleum Operations shall be the property of the State. Except as provided in Articles 28.3, 28.4 and 28.5 all data shall be maintained by the Parties as strictly confidential and shall not be divulged by either Party during the term of the Contract without prior written consent of the other Party, except to the extent required to comply with applicable law, unless such data become part of the public domain.

28.2 Such confidentiality undertaking shall continue to apply to Contractor for a period of five (5) years after the termination of the Contract. Contractor shall not trade, sell or publish data pertaining to the Contract Area at any time without the prior written consent of Minister.

28.3 A Party may disclose such information to its employees, Affiliates, consultants, banks, financial institutions, auditors, Subcontractors and prospective assignees to the extent required for the efficient conduct of Petroleum Operations. Prior to making any such disclosures to its consultants, banks, financial institutions, auditors, Subcontractors or prospective assignees, such Party shall obtain from such

individuals or entities a written confidentiality undertaking to keep the data and information strictly confidential. Contractor may also, upon written notice to Minister, make such disclosures as may be required by applicable law or the rules of a recognized stock exchange and such notice shall include copies of the information to be disclosed.

28.4 (a) All data furnished under this Contract shall, subject to the exemptions in Article 28.4 (b) below, be treated as strictly confidential for the term of this Contract or any extension or renewal hereof, except that Minister and Contractor shall have the right to use such data for the purpose of any arbitration or litigation between Minister and Contractor.

(b) (i) Data related to Petroleum Operations in areas which have been relinquished by Contractor may be released by Minister immediately on relinquishment.

(ii) Data related to the Petroleum Operations in areas not relinquished in accordance with the terms of this Contract may be released by Minister at the end of the sixth (6th) year of the Contract or one (1) year after acquisition whichever period is later.

28.5 Minister shall be entitled at any time to prepare and publish reports or studies using information derived from any information or data related to the Contract Area.

ARTICLE 29

PIPELINES

29.1 Sections 26 and 27 of the Petroleum Regulations shall apply to any pipeline outside of the Contract Area but which is included as a part of Petroleum Operations hereunder.

29.2 In the event of usage of such pipeline by third parties, the tariff collected by Contractor shall be credited to the cost recovery account.

ARTICLE 30

INSURANCE

30.1 Contractor shall provide all insurance required by applicable law and such other insurance as may be agreed with Minister from time to time in conformity with generally accepted practices in the international Petroleum industry. Contractor shall insure with a reputable insurance company that shall repay claims in convertible currency.

30.2 All such policies of insurance with respect to the operations of Contractor shall name Minister as an additional named insured or "loss payee" and shall contain an express waiver of subrogation against the Government and Minister.

30.3 Contractor shall upon request provide Minister with copies of all policies of insurance.

30.4 Contractor shall actively pursue any claims against insurers. Any amount received from insurance settlements shall be applied and accounted for in accordance with the Accounting Procedure.

30.5 Contractor shall not self-insure or insure through Affiliates without the specific prior approval of Minister.

30.6 Contractor may utilize its normal worldwide insurance programmes and coverage to satisfy these

insurance requirements with the prior approval of
Minister.

ARTICLE 31

ASSIGNMENT AND TRANSFER

31.1 Any entity or entities comprising Contractor may with prior approval of Minister assign all or an undivided percentage interest in its rights and obligations under the Contract to any of its Affiliates provided that:

(a) such entity demonstrates to Minister's satisfaction that the Affiliate to which the assignment is proposed to be made is as qualified as the assignor with respect to its technical and financial competence;

(b) such entity at the time of such notice provides Minister with an undertaking from the ultimate parent company of the Affiliate to which the assignment is proposed to be made required by Article 8.5;

(c) the instrument of assignment states precisely that the assignee is bound by all covenants contained in the Contract; and

(d) the assignor submits a valuation and all material terms of the assignment.

31.2 Subject to the prior written approval of Minister any of the entities comprising Contractor may assign all or an undivided percentage interest in its rights and obligations under the Contract to a third

party that is not an Affiliate of Contractor. For consideration to be given to any such request:

(a) all accrued obligations of the assignor derived from the Contract must have been duly fulfilled as of the date such request is made, or assignor and assignee must jointly and severally guarantee fulfillment of any unfulfilled accrued obligations of assignor;

(b) the proposed assignee or assignees must produce reasonable evidence to Minister of its or their financial and technical competence;

(c) the instruments of assignment shall be submitted to Minister for scrutiny and approval and shall include provisions stating precisely that the assignee is bound by all covenants contained in the Contract and

(d) the assignor submits a valuation and all material terms of the assignment.

31.3 No assignment shall in any way absolve the assignor from the obligations undertaken by it under the Contract except to the extent such obligations are in fact performed by the assignee.

31.4 Any entity or entities comprising Contractor shall apply for consent, at least ninety (90) calendar days before the proposed effective date of the Transfer; which application shall include evidence to

Minister of the financial and technical competence of the Transferee together with a valuation and all material terms of the Transfer.

31.5 Each assignee or Transferee shall within thirty (30) days after the effective date of the assignment or Transfer comply with the requirements of Articles 10.1 and 10.2.

31.6 For each assignment or Transfer made by any entity or entities comprising Contractor the following rates shall apply to the amounts or value of the consideration:

- (a) For every dollar of the first USD 100 million: 1%
- (b) For every dollar of the next USD 100 million: 1.5%
- (c) For every dollar thereafter: 2%

Minister reserves the right to waive this payment or any part thereof.

31.7 Minister reserves the right to employ the services of an independent consultant, at the cost of Contractor or any of the entities comprising Contractor, to be mutually agreed by Minister and such entity, to carry out an independent valuation of the transaction. The final determination of the valuation shall remain with Minister and will be subject to the applicable rates stated in Article 31.6 above.

31.8 Should an assignment or Transfer referred to under this Article occur without such entity first

obtaining the required consent of Minister, it may result in the forfeiture of this Contract at the sole discretion of Minister.

ARTICLE 32

APPLICABLE LAW

32.1 The validity, interpretation and implementation of this Contract shall be governed by the laws of the Republic of Trinidad and Tobago.

ARTICLE 33

CONSULTATION, EXPERT DETERMINATION

AND ARBITRATION

33.1 The Parties shall make their best effort to settle amicably through consultation any dispute arising in connection with the performance or interpretation of any provision hereof.

33.2 If any dispute referred to under this Article has not been settled through such consultation within ninety (90) days after the dispute arises either Party may by notice to the other Party propose that the dispute be referred either for determination by a sole expert or to arbitration in accordance with the provisions of this Article.

33.3 Following the giving of notice under Article 33.2, the Parties may, by mutual agreement, refer the dispute for determination by a sole expert to be appointed by agreement between the Parties. Such sole expert shall be an internationally recognized specialist in the interpretation of the subject under dispute. If the Parties are unable to agree on designation of the expert within thirty (30) days following the giving of notice under Article 33.2, the expert shall be named by an internationally recognized organisation to be agreed to by the Parties.

33.4 As an alternative to the procedure described in Article 33.3 and if agreed upon by the Parties, such

dispute shall be referred to arbitration by an agreed sole arbitrator.

33.5 (a) If the Parties fail to refer such dispute to a sole expert under Article 33.3 or to a sole arbitrator under Article 33.4, within sixty (60) days of the giving of notice under Article 33.2, the dispute shall be referred to arbitration. The arbitration shall be conducted by three (3) arbitrators in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL Rules) in effect on the Effective Date of the Contract.

(b) Where arbitration is resorted to either by the sole arbitrator under Article 33.4 or arbitral tribunal, the UNCITRAL Rules in effect on the Effective Date of the Contract shall be used.

33.6 The English language shall be the language used in the expert or arbitral proceedings. All hearing materials, statements of claim or defence, award and the reasons supporting them shall be in English.

33.7 The place of the expert determination or arbitration shall be in Trinidad and Tobago.

33.8 In the case of a request by Contractor pursuant to Article 17.6 (e) for final determination by an expert of whether a disputed charge is subject to cost recovery, such expert shall be an internationally recognized specialist in interpretation of Petroleum contracts with experience in verifying costs of

Petroleum Operations. If the Parties are unable to agree on designation of the expert within thirty (30) days after Contractor's request under Article 17.6 (e) for the expert determination, the expert shall be named by the International Chamber of Commerce. The waiting period required by Article 33.2 shall not apply to this type of expert determination.

33.9 (a) Any decision by the expert determination, sole arbitrator or arbitral tribunal shall be final and binding upon the Parties. Such decision shall be rendered within sixty (60) days after the completion of the expert determination or arbitration proceedings.

(b) Judgment for execution of any award rendered by the expert determination, sole arbitrator or arbitral tribunal may be entered by any court of competent jurisdiction without review of the merits of such award.

ARTICLE 34

FORCE MAJEURE

34.1 No delay, default, failure or omission by either Party in the performance of any obligation under this Contract shall be considered as a breach of the Contract if such delay, default or omission is due to Force Majeure. The Party claiming Force Majeure shall notify the other in writing as soon as possible and take all reasonable and necessary measures to resume full execution of performance hereunder as soon as possible.

34.2 Notwithstanding anything in Article 34.1 (and without prejudice to the generality thereof) the following events or circumstances shall not be treated as being Force Majeure or caused thereby:

(a) failure by either Party to pay money when due or fulfill any financial obligation under this Contract;

(b) the insolvency of Contractor or any entity constituting Contractor.

34.3 If the Petroleum Operations are partially or totally suspended as a result of Force Majeure, the duration of the period directly affected by such suspension shall be extended by a period corresponding to the period of the suspension which in no event shall be more than two(2) years.

34.4 Contractor may terminate this Contract upon a three (3) month written notice to Minister if the fulfillment of the obligation of either Party under this Contract is affected by Force Majeure during the Exploration Period or any extension thereof for a continuous period exceeding two (2) years without further obligation and liabilities of any kind.

ARTICLE 35

NOTICES

35.1 Any notice, report and other communications required or given under this Contract shall be deemed given when delivered in writing either by hand, in person or through the registered mail, courier service or fax transmission, appropriately addressed as follows:

TO MINISTER

(i) By Hand or Mail:-

Permanent Secretary
Ministry of Energy and Energy Industries
Level 26, Tower C - Energy Trinidad and Tobago
International Waterfront Centre
#1 Wrightson Road
Port of Spain. Trinidad & Tobago
Telefax No. (868) 625 0306

TO CONTRACTOR

(i) By Hand or mail -

Official designated under Article 10.1

35.2 Each of the Parties may change its address or addresses or representative for purpose of receiving notices by giving at least ten (10) days prior written notice of the change to the other Party.

ARTICLE 36

TERMINATION

36.1 Minister shall have the right to terminate the Contract and to take without consideration all property of whatever nature belonging to Contractor in Trinidad and Tobago related to the Contract Area if Contractor fails:

(a) to fulfill the obligations provided for in Articles 7 or 14 hereof; or

(b) to conform to the provision of an arbitration award or expert determination under Article 33 hereof.

36.2 Contractor shall have the right to terminate this Contract by electing to relinquish the entire Contract Area pursuant to the conditions specified in Article 5.

36.3 If either Party to the Contract commits a material breach of Contract, the other Party shall have the right to terminate the Contract using the following procedure:

(a) The Party claiming the right to terminate shall give notice to the other Party specifying the particular material breach complained of, and requiring the other Party, within ninety (90) days of such notice, to remedy the same or make reasonable compensation to the complaining Party,

as the case may be;

(b) If the Party receiving the notice fails to comply with said notice, the complaining Party may, after the expiration of the ninety (90) days notice, forthwith terminate this Contract provided that in the event the issue of whether there has been a material breach has been referred to arbitration or expert determination under Article 33, the complaining Party may not exercise its power of termination until the result of arbitration or expert determination is known. The Party which elects to refer the dispute to arbitration or expert determination must be diligent in pursuing its claim in such proceedings. Failure to pursue such claim diligently will entitle the complaining Party to exercise its right to terminate in spite of the referral to arbitration or expert determination.

36.4 Contractor shall have the right to terminate this Contract in accordance with the provisions of Article 34.4.

36.5 This Contract may be terminated prior to the end of the Contract term, by express agreement of the Parties or in accordance with the provisions of Article 4.2.

36.6 Upon the termination of this Contract by either Party all rights granted to Contractor and all obligations imposed on Contractor hereunder shall terminate, subject and without prejudice to any rights

which may have accrued to Minister or to Contractor under this Contract.

ARTICLE 37

ABANDONMENT PROGRAMME, BUDGET AND ESCROW ACCOUNT

37.1 Within sixty (60) days after cessation of production or the sooner relinquishment of some or all of the Contract Area, Contractor shall carry out to Minister's satisfaction an abandonment programme agreed with Minister for all installations and pipelines provided by Contractor under this Contract that Minister elects not to have delivered up to him in accordance with Article 24.1. With respect to the area being relinquished and/or facilities thereon, such abandonment programme shall comply with sound and current international Petroleum industry practices.

37.2 Contractor shall establish an interest bearing escrow account in the name of Minister at a financial institution approved by Minister to accumulate cash reserves for use as a contingency fund against possible pollution and eventual abandonment of wells and decommissioning of facilities related to Petroleum Operations in the Contract Area.

37.3 Contractor shall pay twenty five (25) cents in the currency of the United States of America per barrel of oil equivalent produced into said escrow account. All amounts paid into such escrow account by the Contractor shall be cost recoverable subject to the Accounting Procedure and the auditing provisions of the Contract.

37.4 Minister may at his sole discretion access

funds from the escrow account in the event that Contractor fails to effect environmental clean-up during the term of this Contract, or properly abandon wells, or decommission facilities to the satisfaction of Minister upon termination of this Contract. Where Minister accesses the escrow account as aforementioned Contractor shall be required to pay into the account the sum used for said purposes within sixty (60) days.

37.5 Not later than five (5) years before the earlier of:

(a) the scheduled expiry of the term of the Contract; or

(b) Contractor's anticipated termination of Production of a Field or of operation of a pipeline;

Contractor shall submit for Minister's approval a proposed abandonment programme and budget covering all such installations and pipelines provided by Contractor under this Contract.

37.6 Minister shall act without unreasonable delay in reaching a decision on Contractor's proposal under Article 37.5 and may approve or modify or impose conditions thereon. Before modifying or imposing conditions on the proposal, Minister shall notify Contractor of the proposed modification or conditions and give Contractor the opportunity to make written representations within sixty (60) days thereafter about the proposed modifications or conditions. After taking

into consideration such representations Minister and 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 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 33. Until such time that the determination has been made, Contractor shall make payments into the escrow account referred to in Article 37.2, based on its proposed abandonment programme and budget. After the determination is made, Contractor shall adjust the payments to such escrow account to reflect the abandonment programme and budget so determined.

37.7 In the event that Contractor does not present a timely proposal to Minister under Article 37.5 Minister, after giving thirty (30) days notice to Contractor of his intention to do so, may prepare an abandonment programme and budget for the Contract Area if Contractor does not present a proposal by the end of the thirty (30) day period. When Minister has so prepared the abandonment programme and budget, it shall have the same effect as if it had been submitted by Contractor and approved by Minister.

37.8 The approved budget for carrying out the approved abandonment programme shall be provided for by monies paid into the escrow account established under Article 37.2. In addition to the payments made under Articles 37.3 and 37.4 Contractor shall also pay into

the account a per unit of production assessment. If the approved budget is less than the value of the escrow account, Contractor shall pay the difference based on a per unit of production assessment. The assessment shall be calculated dividing the difference between the approved budget and the value in the escrow account by the estimated units of production to be produced and saved by Contractor between the date of Minister's approval and the anticipated date of the abandonment.

37.9 Upon determination of the Contract, where Contractor fulfills all obligations in respect of environmental remediation, abandonment of wells and decommissioning of facilities to the satisfaction of Minister, all existing funds in the escrow account shall remain with Minister. If the escrow amount is insufficient to complete the approved programme, Contractor shall pay all such additional required costs. In the event Minister elects to have the facility delivered up to him, the escrow account shall be transferred to Minister, who shall assume all responsibility for the facility, its abandonment and hold Contractor harmless against any liability with respect thereto accruing after the date of such transfer to Minister.

ARTICLE 38

THE PETROLEUM ACT AND REGULATIONS

38.1 Pursuant to Section 6 (4) of the Act, the Parties have agreed that this Contract sets out comprehensively the rights and obligations of the Parties with regard to matters otherwise covered by the Act and the Petroleum Regulations provided that any provisions regarding safety incorporated in the Regulations, Rules and/or Orders as Minister may issue from time to time shall apply to Contractor.

38.2 So much only of the Act and the Regulations as are not excluded by the Contract shall apply to Contractor, and where any provision of the Act or the Regulations is modified by this Contract for the purposes of this Contract, the Act and the Regulations shall be read and construed accordingly, and where there is any conflict or variance with reference to any matter between the provisions of this Contract and the Act or the Regulations, the provisions of this Contract shall prevail.

Article 39

Local Content

39.1 Contractor shall comply with the Government's Local Content Policy in force and as modified from time to time.

39.2 Contractor shall maximize to the satisfaction of Minister the level of usage of local goods and services, businesses, financing and the employment of nationals of the Republic of Trinidad and Tobago.

39.3 Contractor shall ensure that sub-contracts are sized, as far as it is economically feasible and practical to match the capability (time, finance and manpower) of Local Enterprises and shall manage the risk to allow their participation.

39.4 Contractor shall provide to Minister together with the annual work programme and budgets required under Articles 14 and 15 a list of all projects to be undertaken as well as all goods and services that are required for the conduct of Petroleum Operations. Minister and Contractor shall agree on a list of those projects and goods and services which shall be published in at least two local newspapers and on the Ministry's website.

39.5 All tenders are to be advertised, evaluated and awarded in Trinidad and Tobago. Contractor shall apply to Minister for prior approval where the circumstances warrant that any part of the tender process be

conducted outside of Trinidad and Tobago.

39.6 Contractor shall give equal treatment to Local Enterprises by ensuring access to all tender invitations and by including high weighting on local value added in the tender evaluation criteria.

39.7 Contractor shall give assurance to Local Enterprises in respect of prompt payment for goods and services actually provided to Contractor and its Subcontractors both foreign and local.

39.8 Contractor shall ensure the development of people by imparting to nationals technology and business expertise in all areas of energy sector activity including but not limited to:

- (i) Fabrication
- (ii) Information Technology support, including seismic data acquisition, processing and interpretation support
- (iii) Operations and maintenance support
- (iv) Maritime services
- (v) Business support services, including accounting, human resource services, consulting, marketing and contract negotiations
- (vi) Financing

(vii) Trading

39.9 Contractor shall ensure that nationals are selected and trained consistent with Contractor's performance standards in relation to activities referred at 39.7.

39.10 In addition to the requirements in Article 39.7 Contractor shall ensure that the development of people in key areas allow nationals to take more value-added, analytical and decision making roles in areas:

(a) of a technical or professional nature including general management, design engineering, project management, seismic data processing, human resource development, legal; and

(b) business strategic skills including leadership, business development, executive management, commercial, analytical, negotiating, strategy development and trading know how and acumen.

39.11 In accordance with its obligations under Article 10.4 Contractor shall maintain records to facilitate the determination of the Local Content of expenditure incurred in respect of Petroleum Operations. These records shall include supporting documentation certifying the cost of local materials, labour and services used and shall be subject to audit by Minister.

39.12 Pursuant to Article 13 of Annex C Contractor shall prepare and submit reports to Minister in accordance with the specified timeframe.

2009 BID ROUND DEEP WATER MODEL PRODUCTION SHARING CONTRACT
DRAFT DOCUMENT – SUBJECT TO CONTRACT

ARTICLE 40

MISCELLANEOUS

40.1 This Contract may not be amended, or any provision hereto waived, except by a written amendment executed with the same formality as this Contract by the Parties hereto and expressly stated to be a modification or waiver of this Contract.

40.2 The headings of this Contract are for convenience of reference only and shall not be taken into account in interpreting the terms of this Contract. A reference to the singular in this Contract includes a reference to the plural and *vice versa*.

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

40.4 No waiver by any Party of any one or more obligations or defaults by any other Party in the performance of the Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

40.5 In case any one or more of the provisions contained in this Contract should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby provided that the remaining provisions are enforceable and the invalid, illegal or

unenforceable provision or provisions are not fundamental to this Contract.

40.7 This Contract 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 Contract.

2009 BID ROUND DEEP WATER MODEL PRODUCTION SHARING CONTRACT
DRAFT DOCUMENT – SUBJECT TO CONTRACT

AS WITNESS WHEREOF -----, Director of Surveys acting on behalf of His Excellency George Maxwell Richards, the President of the Republic of Trinidad and Tobago has hereunto set his hand the day of _____, 2010 and Senator the Honourable Conrad Enill, Minister of Energy and Energy Industries has hereunto set his hand the _____ day of _____ 2010. The Corporate Seal of ----- ----- was hereunto affixed the _____ day of _____, 2010. The Common Seal of ----- ----- -- was hereunto affixed the _____ day of _____, 2010.

SIGNED AND DELIVERED by the _____)
within-named -----)
Stephanie Elder-Alexander, the)
Commissioner of State Lands,)
as and for the act and deed of)
the President of the Republic of)
Trinidad and Tobago in the)
presence of:)

And of me,

Attorney-at-Law

SIGNED AND DELIVERED by the)
within-named, Senator the Honourable)
CONRAD ENILL, Minister of)
Energy and Energy Industries as and for)
his act and deed in the presence of:)

And of me,

Attorney-at-Law

The Common Seal of)
)
was hereunto affixed by:)
)
)
the Secretary/Director in the)
presence of:)
)
One of the Directors and in)
conformity with the Articles)
of Association of the said Compan)
as and for the act and deed of the)

said Company in the presence of:)

And of me,

Attorney-at-Law

The Common Seal of PETROLEUM)
COMPANY OF TRINIDAD AND TOBAGO)
Was hereunto affixed by:)

)
the Secretary/Director in the)
presence of:)

)
One of the Directors and in)
conformity with the Articles)
of Association of the said Company))
as and for the act and deed of the))
said Company in the presence of:)

And of me,

Attorney-at-Law

ANNEX "B"

DATA TO BE SUBMITTED BY LICENSEE

1. Monthly, quarterly and annual progress reports.
2. Reports on magnetic and gravity surveys and any other geological or geophysical surveys performed, including where applicable but not limited to:
 - (a) Flight path maps in 1:50,000 and 1:100,000 scales.
 - (b) Magnetic recording tapes of field data on a medium to be specified by the Minister.
 - (c) Daily records of the earth's magnetic fields.
 - (d) Specifications of equipment used in magnetic and gravity surveys and any other geological or geophysical survey performed.
 - (e) Reports on the interpretation of items (a), (b) and (c) together with maps showing the intensity of magnetic and gravity readings, depth of basement and structural maps in 1:50,000 and 1:100,000 scales, in transparencies, paper prints and in digital form.
 - (f) Magnetic tapes of the processed and navigation data on a medium and format specified by the Minister.

Reports on items (a), (b), (c) and (d) shall be submitted within thirty (30) days after completion of the magnetic and gravity surveys, and reports on item (e) shall be

submitted within ninety (90) days following preparation.

3. Reports on geological surveys conducted both within and outside the Licensed Area in respect of Petroleum Operations under the Licence, to be submitted within ninety (90) days after completion of such surveys, including but not limited to:
 - (a) Geological maps in 1:10,000 and 1:100,000 scales and maps showing the location of the collection of samples in 1:25,000 scale in transparencies, paper prints and digital form.
 - (b) Analysis of Petroleum reservoirs specifying all reservoir parameters including but not limited to the rock types, petrology, permeability and porosity.
 - (c) Petroleum source rock analyses.
 - (d) Paleontology analysis, stratigraphy and environment of deposition.
4. Reports on seismic data and interpretations thereof, including where applicable the following in relation to seismic surveys:
 - (a) Source and receiver pattern diagrams.
 - (b) Specifications of equipment used in seismic surveys.
 - (c) Maps showing permanent markers used in the survey in 1:50,000 scale.

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- (d) Seismic shot point maps in 1:50,000 and 1:250,000 scales, transparencies, paper prints and in digital form.
- (e) Source wave form characteristic analysis.
- (f) Field and processed navigation tapes and seismic final processed tapes; and reprocessed tapes if they have been used for reinterpretation and/or location of well(s). These data are to be supplied on a medium and in a format specified by the Minister on approval of these surveys.
- (g) 2D Seismic sections of all seismic data processing displays of every seismic line, in one (1) second per ten (10) centimetre scale, including transparencies and one paper print. The same requirement applies to any reprocessed lines.
- (h) Root mean square velocity and interval velocity analysis of shot points carried out on each line.
- (i) Seismic interpretation of every horizon that Licensee has interpreted as well as any thickness, facies, environment, maturity and any other interpretive maps prepared by the Licensee.
- (j) Structural contour maps based on the interpretations in (h) and (i) at the scale utilized by Licensee or a scale specified by the Minister.
- (k) For 3D seismic surveys the Minister retains the right to be supplied with a copy of the field tapes including navigation tapes and observer reports at any time in the life of the Licence at Licensee's cost.
- (l) 3D seismic final processed data including navigation to be supplied on a tape medium and format specified

by the Minister on approval of the survey.

- (m) 3D seismic sections at a spacing to be specified by the Minister and at a scale to be specified by the Minister. One (1) paper and one (1) film of each specified seismic line.

Reports on items (a), (b), (c), (e) (f), (g) and (h) shall be submitted within sixty (60) days after completion of the processing of each seismic line.

Reports on items (i) and (j) shall be submitted upon completion of each seismic interpretation.

5. Reports on drilling operations including the following:

- (a) a daily report by 13:00 hours of the following day, which must contain the following details where applicable:

- (i) Name of well and of Licensee.
- (ii) Date and time of operation.
- (iii) Name of drilling rig.
- (iv) Days of previous operation on the particular well.
- (v) Depth of well at time of report.
- (vi) Diameter of well.
- (vii) Type and size of drill bit.
- (viii) Deviation of well.
- (ix) Type, weight, and specification of drilling mud.
- (x) Operations and problems during previous twenty-four (24) hours.

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- (xi) Lithology within previous twenty-four (24) hours.
 - (xii) Petroleum found.
 - (xiii) Type, size, weight and depth of casing.
 - (xiv) Cementing.
 - (xv) Pressure test of petroleum blow-out preventer, casing, and other related equipment.
 - (xvi) Well-logging, including type and depth of logging.
 - (xvii) Core sampling.
 - (xviii) Flow tests and the depth thereof.
 - (xix) Well abandonment.
 - (xx) Drilling rig released.
 - (xxi) Conditions of weather.
- (b) Two (2) complete sets of well logs at 1:500 and 1:200 scales spliced into continuous logs, both paper print and digital form, to be submitted within twenty (20) days after the completion of well logging operations (in addition to well logs which the Licensee supplies while drilling).
- (c) Well completion reports to be submitted within sixty (60) days after completion of drilling. These reports shall contain a well completion log, a complete description of the results of the well, the results of tests and the details of geology and lithology. The well completion log will be at 1:1000 scale and should include at least the following:
- (i) log curves;

- (ii) lithologic plot and description;
- (iii) formation tops;
- (iv) velocity information;
- (v) shows and tests;
- (vi) casing and plugs;
- (vii) cores;
- (viii) paleontologic and palynologic markers;
- (ix) environment of deposition;
 - (x) any other information which Licensee has plotted on its own 1:1000 scale logs which contributes to an interpretation of the results of the well.

The well completion report shall also include where applicable:

- (i) reports on analysis of any samples taken;
- (ii) reports on any well tests conducted;
- (iii) analysis of Petroleum and water;
- (iv) pressure analysis.

6. Reports on production of Petroleum, including the following:

- (a) A daily report by 13:00 hours of the following day, with the following details:
 - (i) Quantity of Petroleum produced.
 - (ii) Quantity of Petroleum used in Petroleum Operations.
 - (iii) Quantity of Petroleum measured at measurement point(s).
 - (v) Quantity of Petroleum flared.
 - (vi) Tubing and casing pressure.
 - (vii) Choke size.
 - (viii) Well test.

- (ix) Operations during the previous twenty-four (24) hours.
- (b) Reports detailing the results obtained with respect to the following shall be submitted immediately they become available after the relevant analyses are carried out:
 - (i) Gravity and viscosity.
 - (ii) Vapour pressure.
 - (iii) Pour point.
 - (iv) Dew-point and composition of Natural Gas.
 - (v) Impurities.
 - (vi) Water produced and results of the analysis.
- (c) Workover report, giving reasons, length and details of workover within thirty (30) days after the completion of the workover.
- (d) Stimulation report, stating methods and details of materials used for the purpose within thirty (30) days after the completion of operations.
- (e) Bottom hole pressure test within fifteen (15) days after the completion of the test.
- (f) Production test report including details of calculation within thirty (30) days after completion of the test.
- (g) Structural contour maps for all producing horizons together with well location, reserve assessment, and detailed calculation and reservoir simulation report, if, and when prepared within thirty (30) days prior to production, and every six (6) months during production in the event of change.

7. Reports on investigation of Petroleum reserves, Field limits and related economic evaluations as required under the Licence and the Regulations.
8. Safety programmes and reports on accidents.
9. Representative samples of all cores and fluids extracted from wells drilled in the Licence Area.
10. Such other samples, data, reports, plans, designs, interpretations or information as the Minister may request including anything for which the cost was recorded by the Licensee in its books as a cost of Petroleum Operations.
11. Revisions of reports, data, analyses or processing shall be submitted to the Minister within thirty (30) days of completion.
12. **All reports, maps and log data are required to be submitted in digital format along with any of the hard copies requested herein.**

ANNEX "C"

ARTICLE 1

GENERAL PROVISIONS

1.1 Definitions

The definitions contained in Article 1 of the Production Sharing Contract to which this is annexed shall apply to this Accounting Procedure and have the same meaning except that references herein to Articles refer to Articles hereof unless otherwise indicated.

1.2 Precedence of Documents

In the event of any inconsistency or conflict between the provisions of this Accounting Procedure and the provisions of the Contract, the provisions of the Contract shall prevail.

1.3 Statements

Within sixty (60) days from the end of each Calendar Quarter Contractor shall supply the Minister with the following statements:

- (a) a statement of expenditure classified in accordance with Articles 2, 3 and 5 hereof containing the information required by Article 10;
- (b) a statement of receipts in accordance with Article 5;
- (c) an inventory statement containing the information required by Article 7;

- (d) a cost recovery statement in accordance with Article 9;
- (e) a production statement in accordance with Article 8;
- (f) a control statement containing the information required by Article 11, and
- (g) a statement of Local Content in accordance with Article 13.

Consolidated annual summaries of each of these statements shall also be provided to the Minister within sixty (60) days after the end of the relevant Calendar Year.

1.4 Books of Account

Contractor's books for Petroleum Operations shall be kept on the accrual basis in United States dollars. Such books of account shall be kept in Trinidad and Tobago, in the English language and in accordance with IAS and the provisions of the Contract and this Accounting Procedure. All U.S. dollar expenditures shall be charged in the amount incurred. All expenditures incurred in Trinidad and Tobago currency shall be translated into U.S. dollars in conformity with Article 22.2 of the Contract, and all other non-U.S. dollar expenditures incurred shall be translated into U.S. dollars at prevailing international exchange rates. Contractor shall maintain a record and documentation of the exchange rates used in translating Trinidad and Tobago currency or other non-U.S. dollar expenditures to U.S. dollars.

1.5 Revision of Accounting Procedure

This Accounting Procedure may be revised from time to time

by written agreement between the Minister and Contractor.

1.6 Detailed Outline of Accounting System

Within ninety (90) days after the Effective Date, Contractor shall present to the Minister an outline of charts of accounts, detailed classifications of costs, detailed nature of cost centers (as specified in Article 3 hereof) and the electronic management information system and the procedures to be used and operating records and reports to be established in accordance with the Contract and this Accounting Procedure and the procedures for access by the Minister to the components of the management information system that relate to this Accounting Procedure and the fulfillment of the obligations under this Contract.

. Following agreement on such drafts with the Minister, Contractor shall promptly prepare and provide the Minister with its (a) comprehensive charts of accounts, (b) detailed organization chart showing recording and reporting functions, (c) manuals to be used in implementing this Accounting Procedure, (d) access to the electronic management information system which implements the provisions of this Accounting Procedure in detail, and (e) format of the monthly reporting statement.

1.7 Procurement Procedure

Within ninety (90) days after the Effective Date Contractor shall furnish to the Minister the procurement procedures to be followed by Contractor for obtaining materials, equipment and services under the Contract.

1.8 Basis for all charges

Transactions shall be recorded to include without limitation such costs as broker's fees, transportation charges, loading and unloading fees, demurrage, import

duties, surcharges and license fees associated with the procurement of materials and equipment, and applicable taxes. Notwithstanding any provision to the contrary in the Accounting Procedure, it is the intention that there shall be no duplication of charges or credits to the accounts under the Contract.

With respect to costs incurred under this Contract, Minister expects that Contractor will purchase equipment, materials or services at a price that shall not exceed Fair Market Value. The Contractor shall keep such records as may be appropriate to substantiate the determination of Fair Market Value for materials and services purchased. Where materials or services are purchased without a competitive bidding process or from a party who is not at Arm's Length, the Contractor shall document at the date of the transaction the basis for concluding at the recorded price. Only the portion of such purchase price that does not exceed Fair Market Value shall be eligible for cost recovery and any amount of such purchase price in excess of Fair Market Value shall be a non-recoverable cost as provided for in Article 6 of this Accounting Procedure.

Where equipment, materials or services are acquired in the Caribbean-Latin American region, the market conditions in this region shall be considered in determining the Fair Market Value.

1.9 Prepayments

Deposits for or prepayments for goods or services shall not result in cost recovery until these goods and services are fully received.

ARTICLE 2

COSTS AND EXPENDITURES

2.1 Classification of Costs and Expenditures

The detailed chart of accounts will be submitted to the Minister pursuant to Article 1.6 hereof. However, as a minimum, costs and expenditures subject to cost recovery shall be accounted for in accordance with the following classifications:

(a) Surface Use Rights

All direct costs attributable to the acquisition, renewal or relinquishment of surface use rights for areas required by Contractor for installations and operations forming part of Petroleum Operations.

(b) Labour

(i) Actual salaries and wages of Contractor's employees directly engaged in Trinidad and Tobago in the various activities under the Contract, including salaries and wages paid to geologists, engineers and other employees temporarily assigned to and employed in such activities.

(ii) Actual salaries and wages of employees of Contractor's Affiliates, whose services are not covered by paragraph (f) (ii) or (l) hereof, attributable to time worked within or outside of Trinidad and Tobago on Petroleum Operations under the Contract and documented by time sheets.

(iii) Cost of overseas service premiums,

living and housing allowances, and other customary allowances applicable to salaries and wages of expatriate employees chargeable under paragraph (b) (i) hereof.

(iv) Paid bonuses, overtime and other customary allowances applicable to salaries and wages of national employees chargeable under paragraph (b) (i) hereof.

(v) Expenditures or contributions if any made pursuant to law or assessments imposed by Government which are applicable to labour costs chargeable under paragraph (b) (i) hereof.

(c) Employee Benefits

(i) Cost of Contractor's established plans and policies for employee group life insurance, social security, hospitalization, pension, retirement, stock purchase, thrift, expatriate tax equalization, dependent education and other benefits of a like nature attributable to salaries and wages chargeable under paragraphs (b) (i) or (b) (ii) hereof.

(ii) Severance pay to national employees charged at a fixed rate applied to the national payroll, which will equal an amount equivalent to the maximum liability for such severance payments under applicable Trinidad and Tobago law.

(d) Materials, Equipment and Supplies

(i) Material, equipment and supplies purchased or furnished by Contractor valued in

accordance with the provisions of Article 4 hereof.

(ii) Material and equipment rented, charged at actual cost.

(e) Transportation

(i) Transportation of equipment, Materials and supplies necessary for the conduct of Contractor's activities under the Contract.

(ii) Business travel and transportation expenses to the extent covered by established policies of Contractor, as incurred and paid by, or for expatriate and national employees in the conduct of Contractor's business.

(iii) Employee relocation costs for expatriate and national employees to the extent covered by established policy of Contractor; for expatriates, this will include all travel and relocation costs of such employees and their families to and from the employee's point of origin at the time of employment, at time of separation and for vacations, and travelling expenses for employees and their families incurred as a result of a transfer from one location to another within Trinidad and Tobago.

(f) Services

(i) Outside Services

The cost of consultants, contract services and utilities procured from third parties.

(ii) Affiliated Services

Cost of services, including laboratory analysis, drafting, geophysical processing and interpretation, geological interpretation, engineering and data processing which are performed by Contractor's Affiliates in facilities inside or outside Trinidad and Tobago that are not covered by paragraph (b) (ii) or (k) hereof.

(g) Damages and Losses

All costs or expenses necessary to replace or repair damage or losses incurred by fire, flood, storm, theft, accident or any other cause not controllable by Contractor through the exercise of reasonable diligence and not resulting through Contractor's failure to file timely claims and to diligently pursue such against the insurers. Contractor shall furnish the Minister written notice of damage or losses incurred in excess of twenty-five thousand (25,000) US dollars per occurrence, as soon as practicable after report of the same has been received by Contractor.

(h) Insurance and Claims

The cost of insurance, including public liability, property damage and other insurances including the coverage against liabilities of Contractor to its employees and/or outsiders as may be carried by Contractor, or required by the laws, rules and regulations of Trinidad and Tobago or as the Minister and Contractor may agree upon. If no insurance is carried for a particular risk, all related actual expenditures incurred and paid by Contractor in settlement of any and all losses, claims, damages, judgments

and any other expenses, including legal services, shall be charged to the appropriate expenditure account, provided such loss, claim or damage did not result from Contractor's failure to operate in accordance with the standards required by the Contract or failed to obtain insurance where good business practices would have justified such insurance..

(i) Field Offices, Camps, Warehouses, Miscellaneous Facilities

Cost of establishing and operating field offices, camps, and other facilities such as shore bases, warehouses, water systems, and road or other transportation systems necessary for the conduct of Contractor's activities under the Contract.

(j) Legal Expenses

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the Contract Area and facilities or infrastructure provided under the Contract; Petroleum Operations and facilities against third party claims, including outside attorney's fees and expenses, together with all judgments obtained against the Parties or any of them on account of the operations under the Contract; and actual expenses incurred by a Party in securing evidence for the purpose of defending against any action or claim prosecuted or urged in connection with the operations or the subject matter of the Contract. In the event actions or claims affecting the interests hereunder shall be handled by the legal staff of Contractor or its Affiliates the cost of such personnel shall be chargeable under paragraph (b) (i) or (ii) hereof.

(k) General Expenses

Cost of staffing and maintaining Contractor's office or offices in Trinidad and Tobago (except offices covered by paragraph (i)), excepting salaries of employees of Contractor or an Affiliate who are assigned to the various activities under the Contract which will be charged as provided in Article 2.1(b) hereof.

(l) Administrative Overhead

- (i) Contractor's administrative overhead outside Trinidad and Tobago applicable to the Petroleum Operations under the Contract prior to the date of the first Declaration of Commercial Discovery in the Contract Area shall be charged in accordance with the following rates with respect to all expenditures allowable for Cost Recovery other than administrative overheads:

Three percent (3%) of the first ten million (10,000,000) US dollars of such expenditures paid during the Calendar Year;

Two percent (2%) of the next six million (6,000,000) US dollars of such expenditures paid during the Calendar Year; and

One percent (1%) of amounts exceeding sixteen million (16,000,000) US dollars of such expenditures paid during the Calendar Year.

- (ii) Contractor's administrative overhead outside Trinidad and Tobago applicable to Petroleum

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Operations under the Contract after the date of the first Declaration of Commercial Discovery in the Contract Area shall be charged in accordance with the following rates with respect to all expenditures allowable for Cost Recovery other than administrative overhead:

Five-tenths of one percent (0.5%) of the first forty million (40,000,000) US dollars of such expenditures paid during the Calendar Year;

Four-tenths of one percent (0.4%) of amounts exceeding forty million (40,000,000) US dollars but not greater than hundred million (100,000,000) US dollars of such expenditures paid during the Calendar Year; and

Three-tenths of one percent (0.3%) of amounts exceeding hundred million (100,000,000) US dollars of such expenditures paid during the Calendar Year.

(iii) Contractor shall make provisional quarterly charges to the accounts based on the above rates.

(iv) Such overhead charges shall be considered full compensation to Contractor's Affiliates wherever located for the following types of assistance provided:

(A) Executive - Time of executive officers above the rank of regional exploration manager.

(B) Treasury -Financial and exchange problems and payment of invoices.

(C) Purchasing and - Procuring and forwarding materials, equipment and supplies

(D) Exploration - Direction, advising and Production and controlling the entire

project.

(E) Services - All direct services of Contractor's Affiliates not chargeable as direct charges under Articles 2.1(b) or 2.1(f) hereof, provided by other departments such as legal, engineering, employee relations and personnel recruiting, administrative, accounting and audit which contribute time, knowledge and experience to the operation.

(m) Import Duties and Taxes

All taxes, duties, levies or any other imposts, if any, paid in Trinidad and Tobago by Contractor under Article 23 of the Contract.

(n) Bank Charges

Bank charges, bond fees and charges for any guarantees required under Article 8 of the Contract and routine bank charges for transfers of funds and currency exchange.

(o) Other Expenses

Any justified costs, expenses or expenditures, other than those which are covered, dealt with or excluded by Article 2 or Article 6, incurred by Contractor for the proper conduct of the Petroleum Operations under approved Work Programmes and budgets.

ARTICLE 3

COST CENTRES

3.1 In order to provide for efficient control of the recoverable costs under the Contract, all costs must be presented for the Minister's review on the basis of cost centres and sub-divisions of these cost centres. The detailed division shall be presented to the Minister pursuant to Article 1.6 hereof. However, as a minimum the following divisions shall be established:

(a) The costs shall be allocated per area in the following manner:

(i) each Exploration area;

(ii) each individual Production area; and

(iii) costs that cannot be related to a certain area.

(b) The costs shall be allocated per Petroleum Operation in the following manner:

(i) Exploration Operations, sub-divided further into:

(A) geological, geochemical, palaeontological, topographical and other surveys;

(B) each individual geophysical survey;

(C) each individual Exploration or Appraisal well;

- (D) infrastructure (roads, airstrips, etc.);
 - (E) support facilities (warehouses, etc.), including an allocation of common service costs (costs related to various Petroleum Operations);
 - (F) an allocation of the administrative overhead and general expenses; and
 - (G) other costs.
- (ii) Development Operations, sub-divided further into:
- (A) geological, geochemical, geophysical, and other surveys;
 - (B) each individual Development Well;
 - (C) gathering facilities;
 - (D) field facilities;
 - (E) tank farms and other storage facilities for Petroleum;
 - (F) infrastructure:
 - within Contract Area
 - outside Contract Area;
 - (G) support facilities, including an allocation of common service costs (cost related to various Petroleum Operations);

- (H) an allocation of the administrative overhead and general expenses; and
 - (I) other costs.
 - (iii) Other Costs, Costs described in Article 2 but not included under 3.1 (b) (i) and (ii) above.
- (c) Costs shall be allocated to Crude Oil and to Natural Gas, where both are being produced and saved. The allocation shall be in accordance with the following principles:
- (i) where costs are exclusively related to either Crude Oil or Natural Gas, such costs shall be allocated completely to the respective hydrocarbon;
 - (ii) where costs can be attributed to both Crude Oil and Natural Gas, the costs shall be allocated pro-rata to the gross revenues earned from Crude Oil and Natural Gas in the Calendar Month in which these costs are being recovered or with the approval of the Minister on such other basis (in accordance with good practices in the international Petroleum industry).

ARTICLE 4

VALUATION OF MATERIALS

4.1 Materials either charged to the accounts pursuant to Article 3 hereof or credited to the accounts pursuant to Article 5 hereof shall be valued in accordance with the principles of this Article.

4.2 Purchases

Material, equipment and supplies shall be purchased by Contractor directly from the supplier whenever practicable and in such event shall be charged at the price paid by Contractor after deduction of all discounts actually received.

4.3 Material Furnished by Contractor

Materials provided by Contractor from Contractor's Affiliate's stocks, whether or not within Trinidad and Tobago, at prices specified in (a) and (b) below:

(a) New Material (Condition "A")

New material transferred from Contractor's Affiliate's warehouses or other properties shall be priced at net cost provided that the cost of material supplied is no higher than prices in the Caribbean- Latin American region for material of similar quality, supplied on similar terms, prevailing at the time such material was supplied.

(b) Used Material (Conditions "B" and "C")

(i) Material which is in sound and serviceable condition and is suitable for reuse without

reconditioning shall be classified as Condition "B" and priced at seventy-five percent (75%) of allowable value of new material as defined in (a) above.

(ii) Material which cannot be classified as Condition "B" but which:

(A) after reconditioning will be further serviceable for original function; or

(B) is serviceable for original function but substantially not suitable for reconditioning shall be classified as Condition "C" and priced at fifty percent (50%) of the allowable price of new material as defined in (a) above.

The cost of reconditioning shall be charged to the reconditioned material provided that the value of Condition "C" material plus the cost of reconditioning do not exceed the value of condition "B" material.

(c) Material which cannot be classified as Condition "B" or "C" shall be priced at a value commensurate with its use.

(d) Tanks, buildings and other equipment involving erection costs shall be charged at applicable, percentage of knocked down allowable new price.

(e) Sale or Export of Materials

In case Contractor sells exports or transfers any material to Affiliates or other entities or persons, the value of such transfers shall be credited to the accounts, the costs of which were previously charged to the accounts. Such sale

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export or transfer shall not take place without
the prior written consent of the Minister.

ARTICLE 5

RECEIPTS

5.1 Credits in favour of the Contractor as a result of the Petroleum Operations or incidental thereto shall be credited to the respective accounts and be included as credits in the statement of expenditures. Such credits shall include the following transactions:

(a) Claims Recovery

The proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts.

(b) Third Party Revenues

Revenues received from third parties for the use of property, assets, for the delivery of any services by the Contractor, or for any information or data.

(c) Adjustments

Any discounts or adjustments received by the Contractor from the supplier/manufacturers or their agents in connection with goods purchased or defective equipment or materials, the costs of which were previously charged to the accounts.

(d) Refunds

Rentals, refunds or other credits received by the Contractor, which apply to any charge which has been made to the accounts.

(e) Sale or Export of Materials

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In case Contractor sells or exports or transfers any material to Affiliates or other entities or persons, the value of such transfers shall be credited to the accounts, the costs of which were previously charged to the accounts.

ARTICLE 6

NON-RECOVERABLE COSTS

- 6.1 The following costs shall be non-recoverable for purpose of cost recovery under Article 18 of the Contract:
- (a) interest on financing charges on investment in the Contract Area; as well as the cost of any lease which is a finance lease under IAS which represents the portion of the payments under such lease that constitute interest payments or financing charges
 - (b) costs that are not reasonably justified with appropriate records which have been incorrectly accounted for (to the extent not corrected);
 - (c) costs incurred before the Effective Date of the Contract;
 - (d) costs of goods and services in excess of the Fair Market Value as provided for under Article 1.8.
 - (e) charges for goods in excess of the amount allowed by Article 4 hereof and/or which the condition of the material does not tally with their prices;
 - (f) costs incurred beyond the Measurement Point;
 - (g) taxes or impositions of whatever nature except for any applicable:
 - (i) customs duties and other import charges paid in Trinidad and Tobago on Materials and equipment required for Petroleum Operations; and

- (ii) employer taxes or contributions permitted as part of labour costs under Article 2.1(b)(v) paid in or outside of Trinidad and Tobago;
- (h) costs or expenses which gave rise to a tax liability, (e. g. withholding tax, insurance premium tax, PAYE, etc.), which tax liability has not been settled by the Contractor;
- (i) amounts paid as a holding fee under Article 16.3 of the Contract;
- (j) payments made in accordance with Article 21 of the Contract;
- (k) costs of expert determination or arbitration pursuant to Article 33 of the Contract;
- (l) fines and penalties imposed by any authority;
- (m) donations or contributions, unless previously approved by the Minister; and
- (n) payments on claims arising out of losses covered by any insurance.
- (o) Payment made from withdrawals from the escrow account pursuant to Article 37.
- (p) The costs incurred for managing any joint venture or partnership or other commercial arrangement among various Contractor Parties
- (q) Costs which could have been covered by insurance but are incurred for failure to insure where insurance would have constituted a good business practice.

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- (r) Transportation costs chargeable for employees and their families incurred as a result of a transfer from Trinidad and Tobago to a location other than the point of origin shall not be charged as a cost under the Contract.

ARTICLE 7

INVENTORIES AND INVENTORY STATEMENT

7.1 Periodic Inventories, Notice and Representation

- (a) At reasonable intervals as agreed between the Minister and Contractor, but in any event at least once during each Calendar Year and on termination of the Contract, inventories shall be taken by Contractor of all Materials and physical assets required for Petroleum Operations under this Contract.
- (b) Written notice of intention to take an inventory shall be given by Contractor to the Minister at least thirty (30) days before any inventory is to begin so that the Minister may be represented when any inventory is taken.
- (c) Failure of the Minister to be represented at an inventory shall bind the Minister to accept the inventory taken by Contractor who shall, in that event, promptly furnish the Minister with a copy of all inventory documents.

7.2 Reconciliation and Adjustment of Inventories

Reconciliation of inventory shall be made by Contractor and the Minister, with a list of shortages and overages being jointly determined, and the inventory shall be accordingly adjusted by Contractor.

7.3 Inventory Statement

- (a) Contractor shall maintain detailed records of property acquired for Petroleum Operations.

- (b) On a Quarterly basis, Contractor shall provide the Minister with an Inventory Statement containing:
- (i) description and codes of all controllable assets and Materials;
 - (ii) amount charged to the accounts for each asset;
 - (iii) date on which each asset was charged to the account; and
 - (iv) whether the costs of such asset has been recovered pursuant to Article 18 of the Contract.

7.4 Identification

To the extent practicable, all assets shall be identified for easy inspection with the respective codes specified in the manuals prepared by Contractor under Article 1.6 hereof.

ARTICLE 8

PRODUCTION STATEMENT

- 8.1 Contractor's Production Statement shall contain the following information and shall be prepared in accordance with the following principles:
- (a) The production sharing shall be determined on the basis of all Petroleum produced and saved from the Contract Area and measured at the Measurement Point or Points during the respective Month in accordance with Article 18 of the Contract. **The average daily production of Crude Oil, Condensates and Natural Gas by Fields for the purpose of applying the provisions of Article 18 of the Contract shall be determined by dividing the respective total measurements of Available Crude Oil and Available Natural Gas attributable to each Field for the Month by the number of days on which Crude Oil and/or Natural Gas was produced in such Month.** Where different grades of Crude Oil, Condensates and/or Natural Gas are being delivered at the Measurement Point(s), the volumes, of each grade shall be determined separately. However, in the event that different grades of such Crude Oil, Condensates or Natural Gas are blended together for sale then the volume of such a blend shall prevail.
 - (b) The volumes of such grades of Crude Oil, Condensates and Natural Gas will be determined separately at the Measurement Point.
 - (c) The volumes of Crude Oil and Condensates shall be corrected for water and sediments, and shall be determined on the basis of standard temperatures and pressures (sixty (60) degrees Fahrenheit and 14.7 p.s.i.a.). The gravity, sulphur content, and other quality indicators of the Crude Oil shall be determined and registered regularly.

- (d) The volumes of Natural Gas shall be determined on the basis of standard temperatures and pressures (sixty (60) degrees Fahrenheit and 14.7 p.s.i.a.). The energy content, sulphur content and other quality indicators of the Natural Gas shall be determined and registered regularly.

ARTICLE 9

COST RECOVERY STATEMENT

- 9.1 Contractor shall establish cost recovery accounts for Crude Oil and/or Natural Gas and shall, pursuant to Article 1.3 hereof, render to the Minister in electronic format as a component of the management information system, and not later than twenty-five (25) days after each Calendar Month a cost recovery statement containing the following information:
- (a) recoverable costs carried forward from the previous Calendar Month, if any;
 - (b) recoverable costs incurred during the Calendar Month;
 - (c) total recoverable costs for the Calendar Month;
 - (d) quantity and value of Cost Recovery Crude Oil and/or Cost Recovery Natural Gas available to the Contractor during the Calendar Month;
 - (e) amount of costs recovered from the applicable Cost Recovery Crude Oil and/or Cost Recovery Natural Gas account for the Calendar Month;
 - (f) amount of recoverable costs carried into succeeding Calendar Month, if any; and
 - (g) quantities of Crude Oil and/or Natural Gas allocated to Contractor and the Minister, respectively, during the Calendar Month as Cost Recovery Crude Oil, Cost Recovery Natural Gas, Profit Crude Oil and/or Profit Natural Gas.

ARTICLE 10

STATEMENT OF EXPENDITURE

10.1 Contractor shall maintain accounts of expenditures incurred in respect of Petroleum Operations under the Contract and shall, pursuant to Article 1.3 hereof, prepare and render to the Minister not later than sixty (60) days after each Calendar Quarter a statement of expenditure. This statement shall show the following:

- (a) the expenditure contemplated for the budget year (Contract Year prior to Commercial Discovery and Calendar Year subsequent to Commercial Discovery), on the basis of the cost classification and cost centres as provided for in this Accounting Procedure;
- (b) the expenditure (less credits) accrued during the Quarter in question;
- (c) the cumulative expenditure (less credits) to date for the budget year under consideration;
- (d) modifications to the budget;
- (e) the latest forecast of cumulative expenditure for year end; and
- (f) variations between budget forecast (as amended by sub-paragraph (d) hereof, where applicable) and latest forecast and reasonable explanations thereof.

ARTICLE 11

CONTROL STATEMENTS AND OTHER ACCOUNTS

11.1 Control Statements

Contractor shall prepare each Quarter a control statement showing the accumulated accounts of costs and revenues verified by the Minister in accordance with Article 17 of the Contract. The statement shall include information in respect of the following:

- (a) the total amount of recoverable costs;
- (b) the amount of costs recovered;
- (c) the amount of costs remaining to be recovered.
- (d) the total quantity and value of Cost Recovery Crude Oil and/or Cost Recovery Natural Gas allocated to the Contractor; and
- (e) the total quantity and value of Profit Crude Oil and/or Profit Natural Gas allocated to the Minister and the Contractor respectively under the Contract.

ARTICLE 12

STATEMENT OF LOCAL CONTENT

- 13.1 Contractor shall maintain records to facilitate the determination of the Local Content of expenditures incurred in respect of Petroleum Operations. These records shall include supporting documentation certifying the cost of local materials, labour and services used and shall be subject to audit.
- 13.2 Contractor shall, pursuant to Article 1.3 hereof, prepare and render to the Minister not later than sixty (60) days after each Calendar Quarter a statement of Local Content.
- 13.3 The Statement of Local Content shall include but not be limited to the following categories:
- (a) Payments made to Local Contractors who supply Local Goods and Local Services.
 - (b) Payments to Local Suppliers who supply Local Goods.
 - (c) Payments to Local Contractors and Local Suppliers for providing a service in the supply of non-local goods.
 - (d) Payments made to non- local contractors and suppliers who supply Local Goods.
 - (e) Payments of salaries, profits, dividends on shares and other tangibles paid to persons who are nationals of Trinidad and Tobago.
- 13.4 For the purpose of measurement, Local Content shall be comprised of all costs incurred as direct materials, direct sub-contracts, indirect materials, indirect subcontracts, construction management and other costs. Local Content shall not include any taxes or other statutory payments to government including payments made under this Contract.

- 13.1 The Licensee shall comply with the Government of Trinidad and Tobago's Local Content and Local Participation Policy in force and as modified from time to time.
- 13.2 The Licensee shall maximize to the satisfaction of the Minister the level of usage of Local goods and services, businesses, financing and the employment of nationals of Trinidad and Tobago. In this regard, the Licensee shall ensure that sub-contracts are sized, as far as it is economically feasible and practical to match the capability (time, finance and manpower) of local suppliers and shall manage the risk to allow their participation.
- 13.3 The Licensee shall provide the Minister at the beginning of each calendar year with a list of all projects to be undertaken as well as all goods and services that are required. The Minister and Licensee shall agree on a list of those projects and goods and services that is to be published in at least two local newspapers and on the Ministry's website.
- 13.4 All contracts are to be advertised and awarded in Trinidad and Tobago. The Licensee shall apply to Minister for prior approval where the circumstances warrant that any part of the tender process be conducted abroad.
- 13.5 The Licensee shall give preferential treatment to local suppliers by ensuring access to all tender invitations and by including high weighting on local value added in the tender evaluation criteria.
- 13.6 The Licensee shall give preference and assurance to local suppliers in respect of prompt payment for goods and services actually provided to the Licensee and its sub-licensees both foreign and local.

13.7 The Licensee shall ensure the development of people by imparting to nationals technology and business expertise in all areas of energy sector activity including but not limited to:

- (a) Fabrication
- (b) Information Technology support, including seismic data acquisition, processing and interpretation support
- (c) Operations and maintenance support
- (d) Maritime services
- (e) Business support services, including accounting, human resource services, consulting, marketing and contract negotiations
- (f) Financing
- (g) Trading

13.8 The Licensee shall ensure that nationals are selected and trained consistent with Licensee's performance standards in relation activities referred at 13.7.

13.9 In addition to the requirements in Article 13.7 the Licensee shall ensure that the development of people in key areas allow nationals to take more value-added, analytical and decision making roles in areas:

- (a) of a technical or professional nature including general management, design engineering, project management, seismic data processing, human resource development, legal and
- (b) business strategic skills including leadership, business development, commercial, analytical, negotiating, strategy development and trading know how and acumen.

13.10 The Licensee shall, pursuant to Article 13 hereof, prepare and submit to the Minister not later than sixty

(60) days after each Calendar Quarter, a Quarterly and Year to Date Statement of Local Content.

13.11 The Statement of Local Content shall include but not be limited to the following categories:

1. Payments made to
 - (a) Local Licensees who supply Local Goods and Local Services.
 - (b) Local Suppliers other than Licensees who supply Local Goods.
 - (c) Local Sub-Licensees and local Suppliers who supply foreign goods.
 - (d) Foreign Licensees and suppliers who supply Local Goods.
 - (e) Foreign Licensees and suppliers who provide foreign goods and services.
2.
 - (a) Payment of salaries, wages, profits, dividends on shares and other tangibles to persons who are nationals of Trinidad and Tobago.
 - (b) Statement on the development of people outlining the level of promotion of nationals in the key areas identified in Articles 13.7, 13.8 and 13.9 respectively.
 - (c) The CIF of all foreign goods to be listed in the statement of local content.

13.12 The Licensee shall maintain records to facilitate the determination of the Local Content of expenditure incurred

in respect of Petroleum Operations. These records shall include supporting documentation certifying the cost of local materials, labour and services used and shall be subject to audit by the Minister.

13.13 For the purpose of measurement, Local Content shall be comprised of all costs incurred as direct materials, direct sub-contracts, indirect materials, indirect subcontracts, construction management and other costs. Local Content shall not include any taxes or other statutory payments to Government including payment made under this Contract.

13.14 For the purposes of this order the following definitions shall apply:

"Local Contractor or Local Supplier" means a person, firm or entity performing works, services and/or supplying goods and materials to the Contractor, whether as a Sub-contractor or otherwise, whose business enterprise is incorporated or otherwise organised under the laws of Trinidad and Tobago and whose principal place of business is in Trinidad and Tobago

"Local Goods" means materials and/or equipment mined, grown or produced in Trinidad and Tobago, whether through manufacturing, processing or assembly. An article, which is produced by manufacturing, processing or assembly, must differ substantially in its basic characteristics, purpose or utility from any of its imported components. Manufactured goods would be considered to be of local origin if the cost of the local materials, labour and services used to produce the item constitute not less than forty (40) percent of the cost of the finished product.

"Local Services" means works or services performed or supplied by a Local Contractor or Local Supplier.

Annex "D"

Draft: October 2009

**Procedure for the Determination of the Deemed Fair Market Value
For Natural Gas**

1. Application.

This Annex "D" (*Procedure for the Determination of the Deemed Fair Market Value for Natural Gas*) shall govern the determination of Deemed Fair Market Value.

Deemed Fair Market Value.

Deemed Fair Market Value ("DFMV") shall be expressed in U.S. Dollars per million British Thermal Units (US\$/MMBtu) and shall be determined in accordance with the following formula:

$$\text{DFMV} = \text{DEV} - \text{LQC} - \text{GC}$$

Where:

"DEV" means the Deemed Export Value based on the weighted average price of LNG for all cargos delivered by the Contractor, or as a result of sales contracts with the Contractor, to the applicable geographical markets, as determined in accordance with the formula set forth below;

"LQC" means the Liquefaction Costs applicable to the liquefaction facilities utilized by the Contractor in the liquefaction of the Gas, or pursuant to LNG tolling agreements with the Contractor for the liquefaction of the Gas;

"GC" means the Gathering Costs applicable for the gathering of the Gas from the measurement point(s) of the Contractor and the transportation of same to the liquefaction facilities.

$$\text{DEV} = (\text{V1} * (\text{LP1} - \text{RG1} - \text{S1}) + \dots + \text{V4} * (\text{LP4} - \text{RG4} - \text{S4})) / (\text{V1} + \text{V2} + \text{V3} + \text{V4})$$

Where:

V1 is the volume of Natural Gas delivered to markets in North America by the Contractor

V2 is the volume of Natural Gas delivered to markets in

Asia by the Contractor

V3 is the volume of Natural Gas delivered to Northern Europe by the Contractor

V4 is the volume of Natural Gas delivered to Southern Europe by the Contractor

LP1 is the Landed Price of Natural Gas in North America as determined by the Minister

LP2 is the Landed Price of Natural Gas in Asia as determined by the Minister

LP3 is the Landed Price of Natural Gas in Northern Europe as determined by the Minister

LP4 is the Landed Price of Natural Gas in Southern Europe as determined by the Minister

RG1 is the regas tariff in North America as determined by the Minister

RG2 is the regas tariff in Asia as determined by the Minister

RG3 is the regas tariff in Northern Europe as determined by the Minister

RG4 is the regas tariff in Southern Europe as determined by the Minister

S1 is the shipping costs to the North American terminal as determined by the Minister

S2 is the shipping costs to Asia as determined by the Minister

S3 is the shipping costs to Northern Europe as determined by the Minister

S4 is the shipping costs to Southern Europe as determined by the Minister

For greater certainty, where cargos of LNG are being delivered to different regas facilities within a single geographic market, the Minister shall determine the values for LP, RG and S separately for each regas facility.

2. Determination by the Minister of the Components of the DEV.

On the 10th Day of each Month (“M”) the Minister shall determine and publish the following indices, which shall be used in the determination of the DFMV in accordance with Section 2 of this Annex "D":

(a) for Sales into North America

- (i) the “Landed Price” (“LP1”) shall be the price of Natural Gas expressed in US\$/MMBtu, at a point immediately downstream of each North American LNG Receiving Terminal. The Landed Price shall apply to all cargos of LNG offloaded during the previous Month (M-1), with such price equal to the weighted monthly average price for such previous Month (M-1), based upon that data reported each Day in *Platts Gas Daily*: (www.platts.com); and
- (ii) the “Regas Tariff” (“RG1”) shall be tariff paid for the receipt, storage, processing and administration of LNG, expressed in US\$/MMBtu, at each North American LNG Receiving Terminal. The Regas Tariff shall apply to all cargos of LNG offloaded during the previous Month (M-1), with such tariff equal to the weighted monthly average tariff for such previous Month (M-1), based upon that data reported by each North American LNG Receiving Terminal, as publicly filed with the *Federal Energy Regulatory Commission* (www.ferc.com);
- (iii) the “Shipping Costs” (“S1”) shall be the costs of transporting LNG from the flange coupling of the loading arm at the LNG Export Terminal to the flange coupling of the offloading arm at each North American LNG Receiving Terminal, expressed in US\$/MMBtu. The Shipping Costs shall apply to all LNG transported during the previous Month (M-1), with such costs equal to the weighted monthly average costs for such previous Month (M-1), based upon that data reported by *Drewry Shipping Consultants Limited*: (www.drewry.com);

(b) for Sales into Asia

- (i) the “Landed Price” (“LP2”) shall be the price received for LNG, expressed in US\$/MMBtu, at a point immediately downstream of each Asian LNG Receiving Terminal. The Landed Price shall apply to all cargos of LNG offloaded during the previous Month (M-1), with such price equal to the weighted monthly average price for such previous Month (M-1), based

upon gas market data reported from the respective Asian markets determined through a procedure satisfactory to the Minister acting reasonably; and

- (ii) the “Regas Tariff” (“RG2”) shall be tariff paid for the receipt, storage, processing and administration of LNG, expressed in US\$/MMBtu, at the Asian LNG Receiving Terminal. The Regas Tariff shall apply to all cargos of LNG offloaded during the previous Month (M-1). The Regas Tariffs shall be based on an independent consulting study carried out for the Minister, as updated from time to time;
 - (iii) the “Shipping Costs” (“S2”) shall be the costs of transporting LNG from the flange coupling of the loading arm at the LNG Export Terminal to the flange coupling of the offloading arm at the Asian LNG Receiving Terminal, expressed in US\$/MMBtu. The Shipping Costs shall apply to all LNG transported to an Asian LNG Receiving Terminal. The Shipping Costs shall be based on an independent consulting study carried out for the Minister as updated from time to time;
- (c) for Sales into Northern Europe
- (i) the “Landed Price” (“LP3”) shall be the price of Natural Gas expressed in US\$/MMBtu, at a point immediately downstream of each LNG Receiving Terminal in Northern Europe. The Landed Price shall apply to all cargos of LNG offloaded during the previous Month (M-1), with such price equal to the weighted monthly average price for such previous Month (M-1), based upon that data reported each Day by the International Petroleum Exchange, National Balancing Point (“NBP”), Gas Futures Contract Data, or such other internationally recognized reporting publication as may be determined by the Minister to be appropriate; and
 - (ii) the “Regas Tariff” (“RG3”) shall be tariff paid for the receipt, storage, processing and administration of LNG, expressed in US\$/MMBtu, at each LNG Receiving Terminal in Northern Europe. The Regas Tariff shall apply to all cargos of LNG offloaded during the previous Month (M-1), with such tariff equal to the weighted monthly average tariff for such previous Month (M-1), based upon that data reported by each LNG Receiving Terminal in Northern Europe;

- (iii) the “Shipping Costs” ("S3") for LNG transported during the previous Month between the LNG Export Terminal and each LNG Receiving Terminal in Northern Europe, expressed in US\$/MMBtu, with such price representing the weighted monthly average for that previous Month, determined by reference to the data reported by Drewry Shipping Consultants Limited: (www.drewry.com);
- (d) for Sales into Southern European
 - (i) the “Landed Price” ("LP4") shall be the price received for LNG, expressed in US\$/MMBtu, at a point immediately downstream of each Southern European LNG Receiving Terminal. The Landed Price shall apply to all cargos of LNG offloaded during the previous Month (M-1), with such price equal to the weighted monthly average price for such previous Month (M-1), based upon gas market data reported from the respective Southern European markets determined through a procedure satisfactory to the Minister acting reasonably; and
 - (ii) the “Regas Tariff” ("RG 4") shall be tariff paid for the receipt, storage, processing and administration of LNG, expressed in US\$/MMBtu, at a LNG Receiving Terminal in Southern Europe. The “Regas Tariff” shall apply to all cargos of LNG offloaded during the previous Month (M-1). The regas tariffs shall be based on an independent consulting study carried out for the Minister as updated from time to time; and
 - (iii) the “Shipping Costs” ("S4") shall be the costs of transporting LNG from the flange coupling of the loading arm at the LNG Export Terminal to the flange coupling of the offloading arm at the LNG Receiving Terminal in Southern Europe. The shipping costs shall be based on an independent consulting study carried out for the Minister as updated from time to time.

3. Determination by the Minister of Liquefaction and Gather Components

On the 10th Day of each Month ("M") the Minister shall determine and publish the following indices which shall be used in the determination of DFMV in accordance with Section 2 of this Annex "D" for each liquefaction facility and gathering system used for the Natural Gas by the Contractors.

- (a) the “Liquefaction Costs” shall be the actual and audited costs incurred in the receipt and liquefaction of Natural Gas and the storage and sendout of LNG, at the LNG Export Terminal, expressed in US\$/MMBtu. The Liquefaction Costs shall be established from time to time by the Minister, shall be based upon an audit conducted by the Minister in accordance with Article 8, and shall include a reasonable profit component; and
- (b) the “Gathering Costs” shall be the actual and audited costs incurred in gathering and transporting Natural Gas from the Measurement Point to the inlet meter of the LNG Export Terminal, expressed in US\$/MMBtu by the Contractor or a buyer of the Natural Gas of the Contractor. The Gathering Costs shall be established from time to time by the Minister, shall be based upon an audit conducted by the Minister in accordance with Article 8, and shall include a reasonable profit component.

4. Volumes, Undetermined Destinations and Cost Determination.

- (a) On or before the 5th Day of each Month, the Contractor shall submit detailed reports setting forth the volumes of all cargos of LNG delivered during the previous Month to each Receiving Terminal to which the Natural Gas of the Contractor was exported by the Contractor or any buyer of the Natural Gas of the Contractor. In the event that the Contractor has incomplete information regarding such cargos, the Minister may in its sole discretion use the weighted average of the volumes of cargos from Trinidad and Tobago that were received by Receiving Terminals and not accounted for by other parties in Trinidad and Tobago based on shipping information available to the Minister.
- (b) Where Natural Gas is being gathered and liquefied by a party other than the Contractor, the Contractor shall ensure that it obtains, in all arrangements with buyers of the Natural Gas, complete audit rights regarding applicable liquefaction and gathering costs.
- (c) In the event that, notwithstanding the obligation to provide data and facilitate an audit in accordance with Article 8, the destination of any cargo of LNG cannot be determined to the reasonable satisfaction of the Minister, then the Landed Price, the Regas Costs and the Shipping Costs, shall be determined by the Minister, such costs shall be estimated and set by the Minister, who shall act reasonably and estimate such indices by reference to the data available for the period in question.

- (d) Where the Contractor is unable to secure arrangements for auditing liquefaction and gathering costs, such costs shall be estimated and set by the Minister, who shall act reasonably and estimate such indices by reference to the data available for the period in question.

5. Definitions.

In this Annex "D", the following terms shall have the meanings set forth herein:

- (a) "Asia" shall mean a LNG Receiving Terminal located within any one of the following jurisdictions:
 - (i) China;
 - (ii) India;
 - (iii) Japan;
 - (iv) Singapore;
 - (v) South Korea;
 - (vi) Taiwan; and
 - (vii) Thailand
- (b) "British Thermal Units" and its abbreviation "BTU" shall mean that amount of heat required to raise the temperature of one (1) avoirdupois pound of water from fifty-nine (59) degrees Fahrenheit (F) to sixty (60) degrees Fahrenheit at an absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch;
- (c) "LNG Export Terminal" shall mean a LNG liquefaction and export terminal situated onshore or offshore but within the Exclusive Economic Zone of Trinidad and Tobago, at which LNG is produced and exported in accordance with this Agreement;
- (d) "Measurement Point" shall have that meaning set forth in Article 1.41;

- (e) “North America” means a LNG Receiving Terminal” located within the North American continent, including the Exclusive Economic Zone of each country within such continent, which, for greater certainty, shall include the following:
 - (i) Everett, Maine: (Distrigas)
 - (ii) Cove Point, Maryland: (Dominion Cove Point, LP);
 - (iii) Elba Island, Georgia: (Southern LNG);
 - (iv) Lake Charles, Louisiana;
 - (v) Gulf Gateway (Energy Bridge);
 - (vi) Northeast Gateway (Excellerate Energy);
- (f) “Northern Europe” shall mean a LNG receiving Terminal located within any one of the following jurisdictions, including the Exclusive Economic Zone:
 - (i) Belgium;
 - (ii) France;
 - (iii) Germany;
 - (iv) Netherlands; and
 - (v) United Kingdom
- (g) Southern Europe” " shall mean a LNG Receiving Terminal located within any one of the following jurisdictions, including the Exclusive Economic Zone:
 - (i) Greece;
 - (ii) Italy;
 - (iii) Portugal;
 - (iv) Spain; and

- (v) Turkey;

6. Published Index.

- (a) If, at any time:
 - (i) a published index referenced herein is discontinued or is modified such that the indicator in such published index is discontinued, then the Minister shall adopt a replacement indicator which reflects the values of the discontinued index or indicator; or
 - (ii) the Minister, acting reasonably, believes that a published index or indicator referenced herein has been or is being manipulated such that the published index or indicator no longer accurately reflects the values set forth herein, then the Minister shall direct that a replacement indicator be adopted; or
 - (iii) the Minister, acting reasonably, believes that a published index or indicator referenced herein is not representative of the applicable market, then the Minister shall direct that a replacement indicator be adopted.
- (b) Upon a revision by the Minister pursuant to this section 7, any Party with reasonable grounds to believe that the replacement index or indicator is not representative of the values referenced, then such Party may refer the matter for resolution in accordance with Article 33 of this Agreement.

7. Provision of Data and Audit.

Contractor shall maintain complete and accurate records of all activities related to the subject matter of this Agreement. Minister shall have the right, at any time during the term of this Agreement and within twenty-four (24) months after the termination of this Agreement, to inspect and/or audit Contractor's accounts and records maintained in respect of this Agreement. In the event that the Minister requests data, records, or the right to inspect or audit Contractor's accounts and records, Contractor shall promptly (and, in any event, within five (5) business days) provide Minister with the requested data, records and accounts.

8. Rounding.

All calculations made pursuant to this Annex “D” shall be made to six (6) decimal places with a figure of five (5) or more in the final decimal place being rounded up.

9. Maximization.

The Parties acknowledge that the majority of the Natural Gas sold pursuant to this Agreement will be sold into an Export Market. Contractor agrees that, in fulfilling its obligations under this Agreement it shall utilize reasonable endeavours to extract maximum value in respect of such sales, utilizing its trade and other relevant experience.

Annex "E"

MARKETING PROCEDURES FOR GAS
Production Sharing Contract dated _____, 200_

ARTICLE I
Definitions

In addition to the terms defined in the Contract, the following definitions shall apply to this Annex E:

1.1 "Arm's Length Agreement" means any gas sales agreement with a purchaser which is not an Affiliate of the selling Party or any gas sales agreement with an Affiliate of the selling Party where the sales price and delivery conditions under such agreement are representative of prices and delivery conditions existing under other similar agreements in the area between third parties which are not Affiliates at the same time for natural gas of comparable quality and quantity.

1.2 "Balancing Area" means the Production Area where the Government has elected to take in kind Government Natural Gas pursuant to Sections 3.1(b), 3.1(e) or 3.1(f).

1.3 "Full Share of Current Production" means the respective shares of Contractor and Government in the Natural Gas actually produced from the Balancing Area during each month, as ultimately determined by the Parties pursuant to the terms of the Contract. Where the Government has elected the Joint Facilities Option under Section 3.1(b), the Government's Full Share of Current Production in a month is equal to the total quantity of Government Natural Gas produced in that month. Where the Government has elected the Percentage Delivery Option under Section 3.1(e), the Government's Full Share of Current Production in a month is the selected percentage of the Maximum Monthly Availability for that month. Where the Government has elected the Fixed Volume Delivery Option under Section 3.1(f), the Government's Full Share of Current Production in a month is the selected volume for that month.

1.4 "Gas" means all hydrocarbons produced or producible from the Balancing Area which are or may be made available for sale or separate disposition by the Parties, excluding crude oil, condensate and other liquid hydrocarbons. "Gas" does not include gas used in joint operations, such as for fuel, recycling or reinjection, or which is vented or lost prior to its sale or delivery from the Balancing Area.

1.5 "Makeup Gas" means any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 4.3 or Section 5.1 hereof.

1.6 "Marketing Plan" has the meaning given in Section 3.1.

1.7 "Maximum Monthly Availability" means the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by Contractor, considering the maximum efficient well rate for each well within the Balancing Area, the production facility capabilities and pipeline pressures.

1.8 "Mcf" means one thousand (1,000) cubic feet. A cubic foot of Gas shall mean the volume of gas contained in one cubic foot of space at a standard pressure base and at a standard temperature base.

1.9 "MMBTU" means one million (1,000,000) British Thermal Units. A British Thermal Unit shall mean the quantity of heat required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute.

1.10 "Option Date" is the date on which the Minister takes a decision with respect to the dedication of the Government Natural Gas pursuant to Article 13.3 (e) of the Contract.

1.11 "Overproduced Party" means any Party having taken a greater quantity of Gas from the Balancing Area than the Producing Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

1.12 "Overproduction" means the cumulative quantity of Gas taken by a Party in excess of its Producing Interest in the cumulative quantity of all Gas produced from the Balancing Area.

1.13 "Producing Interest" means the interest of Contractor or the Government in Gas produced from the Balancing Area pursuant to the Contract covering the Balancing Area, expressed as a volume (where the Government has elected a Fixed Volume Delivery Option) or a percentage (where the Government has elected a Percentage Delivery Option). The Producing Interest shall be fixed throughout a Contract Year.

1.14 "Underproduced Party" means any Party having taken a lesser quantity of Gas from the Balancing Area than the Producing Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

1.15 "Underproduction" means the deficiency between the cumulative quantity of Gas taken by a Party and its Producing Interest in the cumulative quantity of all Gas produced from the Balancing Area.

ARTICLE II

ARTICLE III

Options for Marketing of Government Natural Gas

3.1 On the Option Date the Minister shall advise the Contractor whether it wishes to:

- (a) participate as a joint participant with Contractor in the Marketing Plan, with the Government selling all Government Natural Gas in accordance with the same arrangements as Contractor (the "Joint Marketing Option");
- (b) participate as a joint participant with Contractor in any facilities to be constructed in Trinidad & Tobago as part of the Marketing Plan, but take in kind all Government Natural Gas at the outlet of such facilities (the "Joint Facilities Option");
- (c) receive payment from the Contractor for the production and marketing of all Government Natural Gas by Contractor pursuant to the Marketing Plan (the "Cash Payment Option");

- (d) sell all Government Natural Gas to Contractor at an agreed price (the "Agreed Price Option");
- (e) take in kind as Government Natural Gas a quantity up to the Maximum Monthly Availability, or a fixed percentage of the Maximum Monthly Availability, for the duration of the Marketing Plan or a shorter duration specified by the Government (the "Percentage Delivery Option"); or
- (f) take in kind a fixed daily or annual volume of Government Natural Gas, for the duration of the Marketing Plan or a shorter duration specified by the Government (the "Fixed Volume Delivery Option").

If the Government does not deliver a notice electing one of the options above, it shall be deemed to have elected option 3.1(c). The Government's election pursuant to this Section 3.1 shall apply for the duration of production from the Commercial Discovery(s) which is the subject of Contractor's notice, or for the duration of the Marketing Plan, whichever is less.

3.2 If the Marketing Plan included in the Development Plan submitted by Contractor differs from the Marketing Plan provided under Section 3.1, or if Contractor later revises its Marketing Plan or markets Gas from the Commercial Discovery under arrangements that are different that proposed under a Marketing Plan, the Government shall have the right to make a new election on the same terms as in Section 3.1.

3.3 If Contractor submits a Development Plan more than [three years] following the delivery of its Marketing Plan, the Contractor shall be required to re-submit a Marketing Plan to the Government, and the Government shall have the right to make a new election on the same terms as in Section 3.1.

3.4 If the term of a Marketing Plan is less than the term of the Contract, then a new Marketing Plan shall be delivered by Contractor to the Government not less than 180 days prior to the termination of the current Marketing Plan, and the Government shall have the right to make a new election on the same terms as in Section 3.1.

3.5 The Government make revoke its election under Sections 3.1(b), 3.1(e) or 3.1(f) to take in kind Government Natural Gas in respect of any Development Plan upon eighteen months' notice to Contractor. If the Government does so, Contractor shall pay for Government Natural Gas utilizing the Cash Payment Option under Section 3.1(c).

ARTICLE IV Implementation of Marketing Options

4.1 If the Government elects the Joint Marketing Option under Section 3.1(a), Contractor and the Government shall jointly execute any gas purchase and sale contracts for the sale of Gas as contemplated by the Marketing Plan, and shall participate as co-owners in all facilities required in Trinidad & Tobago in order to deliver Gas under such contracts. Contractor and the Government will enter into any agreements required to give effect to the Joint Marketing Option.

4.2 If the Government elects the Joint Facilities Option under Section 3.1(b), Contractor and the Government shall participate as co-owners in all facilities required in Trinidad & Tobago to render such gas in a marketable state (including LNG facilities, where the Marketing Plan proposes that Gas be sold in liquified form). The Government

shall have the right and obligation to take all Government Natural Gas at the outlet of such facilities for sale by the Government to buyers of its choice. The provisions of Section 6.1 shall apply when the Government elects the Joint Facilities Option under Section 3.1(b). Contractor and the Government will enter into any agreements required to give effect to the Joint Facilities Option.

4.3 If the Government elects the Cash Payment Option under Section 3.1(c), or if the Cash Payment Option applies as a result of the Government's failure to make an election, or as a result of an election by the Government under Section 3.5, Contractor shall sell all Government Natural Gas under the terms of the Marketing Plan and remit to the Government the proceeds of such sales, calculated at the Deemed Fair Market Value.

4.4 If the Government elects the Agreed Price Option under Section 3.1(d), and Contractor and the Government have executed a contract for the sale of Government Natural Gas, then Contractor shall buy all Government Natural Gas and remit to the Government the proceeds of such sales at the agreed price.

4.5 If the Government elects the Percentage Delivery Option under Section 3.1(e), the Government shall have the right to take as Government Natural Gas the selected percentage of the Maximum Monthly Availability at the Delivery Point for transport and sale by the Government to buyer(s) of its choice. In any year, the selected percentage of Gas to be taken by the Government pursuant to the Percentage Delivery Option may not exceed Contractor's reasonable estimate of the total annual quantity of Government Natural Gas that is to be produced during such year, except where the Government is taking Makeup Gas. If the Government's election is to take less than 100% of Government Natural Gas, Contractor shall sell all remaining Government Natural Gas under the terms of the Marketing Plan and remit to the Government the proceeds of such sales, calculated at the Deemed Fair Market Value. The provisions of Section 6.1 shall apply when the Government elects the Percentage Delivery Option under Section 3.1(e).

4.6 If the Government elects the Fixed Volume Delivery Option under Section 3.1(f), the Government shall have the right to take the selected volume of Government Natural Gas at the Delivery Point for transport and sale by the Government to buyer(s) of its choice. In any year, the selected volume of Gas to be taken by the Government pursuant to the Fixed Volume Delivery Option may not exceed Contractor's reasonable estimate of the total annual quantity of Government Natural Gas that is to be produced during such year, except where the Government is taking Makeup Gas. the product of the If the fixed volume of Gas that the Government elected to take in kind is less than the Government's Full Share of Current Production, Contractor shall sell all remaining Government Natural Gas under the terms of the Marketing Plan and remit to the Government the proceeds of such sales, calculated at the Deemed Fair Market Value. The provisions of Section 6.1 shall apply when the Government elects the Fixed Volume Delivery Option under Section 3.1(f).

ARTICLE V

Contractor Annual Forecast

5.1 Contractor Annual Forecasts

Not less than six (6) Months before the date on which Contractor expects the first production of Natural Gas to occur and thereafter on the first (1st) Day of September of each subsequent Contract Year, Contractor shall furnish to the

Government an annual forecast that sets out:

- (a) A projection of the average daily quantity of Natural Gas that Contractor anticipates it would be able to produce during each Month of the Contract Year immediately following the date of the annual forecast.
- (b) A projection of the average daily quantity of Natural Gas that Contractor anticipates it would be able to produce during each Quarter of the [second and third] Contract Year(s) following the date of the annual forecast.
- (c) A projection of the Producing Interest of Contractor and the Government that Contractor anticipates for the Contract Year, and the resulting portion of Natural Gas that Contractor anticipates will be Government Natural Gas during each Month of the Contract Year immediately following the date of the annual forecast, on the assumption that Government Natural Gas will be produced equally during each Month of the Contract Year.
- (d) Contractor's planned programs and operations that would affect Contractor's ability to make Gas available in accordance with this Contract during each Month of the Contract Year immediately after the date of the annual forecast.
- (e) a reserve report, prepared by an independent petroleum engineering firm acceptable to the Minister, that sets out such consultant's estimate of the Economically Recoverable Reserves remaining at the time of the annual forecast, together with copies of the reserve data upon which the reserve report was based; provided that Contractor shall bear the cost of providing such reserve report.

5.2 Variance of Forecasts

- (a) If the Government has elected the Percentage Delivery Option under Section 3.1(e) or the Fixed Volume Delivery Option under Section 3.1(f), and the reserve report delivered pursuant to Section 5.1(e) demonstrates that the quantity of Economically Recoverable Reserves exceeds materially from the reserve report existing at the time that the Government made its election under Section 3.1, then the Government may, within 60 days following receipt of the new reserve report, vary the percentage of Gas under the Percentage Delivery Option or the quantity of gas under the Fixed Volume Delivery Option, so long as the new percentage or quantity meets the requirements of Sections 4.5 and 4.6.
- (b) If the Government has elected the Percentage Delivery Option under Section 3.1(e) or the Fixed Volume Delivery Option under Section 3.1(f), and the reserve report delivered pursuant to Section 5.1(e) demonstrates that the quantity of Economically Recoverable Reserves has declined materially from the reserve report existing at the time that the Government made its election under Section 3.1, so that the percentage of Gas under the Percentage Delivery Option or the quantity of gas under the Fixed Volume Delivery Option exceeds the expected remaining quantity of Government Natural Gas, then the Government shall, within 60 days following receipt of the new reserve report, vary the percentage of Gas under the Percentage Delivery Option or the quantity of

gas under the Fixed Volume Delivery Option, so that the new percentage or quantity does not exceed of Sections 4.5 and 4.6.

ARTICLE VI
Basis of Balancing

6.1 The provisions of Articles 5, 6, 7, 8 and 9 shall apply where the Government has made an election under Sections 3.1(b), 3.1(e) or 3.1(f), and where the Government takes more or less than its Producing Share of Government Natural Gas.

6.2 Right to Take in Kind

- (a) Each Party has the right to take in kind its Producing Interest in Gas produced in the Balancing Area.
- (b) If this Annex E covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements, unless the Parties otherwise agree.
- (c) All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in Mcf.

6.3 The Minister will notify Contractor, or cause Contractor to be notified, of the volumes nominated, the name of the transporting pipeline and meter station relating to such delivery, sufficiently in advance for Contractor, acting with reasonable diligence, to meet all nominations and other requirements. Contractor is authorized to deliver the volumes so nominated to the transporting pipeline in accordance with the terms of this Contract.

6.4 When either the Government or Contractor (a "non-taking Party") fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the right of the other Parties to make up for Underproduction as provided herein), the other Party shall be entitled, but not obligated, to take any Gas which such non-taking Party fails to take.

6.5 All Gas taken by a Party in accordance with the provisions of this Contract, regardless of whether such Party is underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.

6.6 Notwithstanding the provisions of Section 4.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Producing Interest of the Balancing Area's then-current Maximum Monthly Availability; provided, however, that this limitation shall not apply to the extent that it would preclude production that is required to protect the producing capacity of a well or reservoir or to maintain crude oil production.

**ARTICLE VII
IN-KIND BALANCING**

7.1 Effective the first day of any calendar month following at least 60 days' prior written notice to Contractor and the Government, an Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 4.3 of this Contract, a share of current production determined by multiplying thirty percent (30%) of the Full Shares of Current Production of the Overproduced Party. In no event will an Overproduced Party be required to provide more than thirty percent (30%) of its Full Share of Current Production for Makeup Gas. Contractor will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.

7.2 Notwithstanding any other provision of this Contract, at such time and for so long as Contractor, or (insofar as concerns production by Contractor) any Underproduced Party, determines in good faith that an Overproduced Party has produced all of its share of the ultimately recoverable reserves in the Balancing Area, such Overproduced Party may be required to make available for Makeup Gas, upon the demand of any Underproduced Party, all of such Overproduced Party's Full Share of Current Production.

**ARTICLE VIII
STATEMENT OF GAS BALANCES**

8.1 Contractor will maintain appropriate accounting on a monthly and cumulative basis of the volumes (in Mcfs and MMBTUs) of Gas that each Party is entitled to receive and the volumes (in Mcfs and MMBTUs) of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, Contractor will furnish a statement for such month showing (1) each Party's Full Share of Current Production (based on the current estimate of the Producing Interest for that Contract Year), (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each Party and that Party's Full Share of Current Production, (4) the Overproduction or Underproduction of each Party, and (5) any other data relating to production of Gas as provided for in the Contract or agreed by Contractor and the other Parties. The Government will promptly provide to Contractor any data required by Contractor relating to sales of Government Natural Gas for preparation of the statements required hereunder.

8.2 If any Party fails to provide the data required herein for four (4) consecutive production months, Contractor, or where Contractor has failed to provide data, another Party, may audit the production and Gas sales and transportation volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable-notice and during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit will be charged to the account of the Party failing to provide the required data.

**ARTICLE IX
CASH SETTLEMENTS**

9.1 Upon:

- (a) the earlier of the plugging and abandonment of the last producing interval in the Balancing Area,

- (b) the termination of the Contract, or
- (c) at any time no Gas is taken from the Balancing Area for a period of twelve (12) consecutive months,

any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.

9.2 On the second anniversary of the Contract, and on each anniversary thereafter, the Government may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.

9.3 Within sixty (60) days after the notice calling for cash settlement under Section 9.1 or 9.2, Contractor will distribute to each Party a Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the methodology set out in Section 9.5.

9.4 Within thirty (30) days after receipt of the Gas Settlement Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify Contractor of the Gas imbalance settled by the Overproduced Party's payment.

9.5 The amount of the cash settlement will be based on the Deemed Fair Market Value for the Gas taken from time to time by the Overproduced Party in excess of the Overproduced Party's Full Share of Current Production. Any Makeup Gas taken by the Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the order of accrual (namely a first-in / first-out basis).

9.6 The values used for calculating the cash settlement under Section 9.5 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any reasonable transportation costs incurred directly in connection with the sale of the Overproduction.

9.7 Interest, as provided in the Contract will accrue for all amounts due under Sections 9.1 or 9.2, beginning the first day following the date payment is due pursuant to Section 9.4. Such interest shall be borne by Contractor or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 9.3 and 9.4 contributed to the accrual of the interest.

9.8 In lieu of the cash settlement required by Section 9.4, an Overproduced Party may deliver to the Underproduced Party an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 9.4. The making of an in-kind settlement offer under this Section 9.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.

9.9 At any time during the term of this Contract, any Overproduced Party may, in its sole discretion, make cash settlement(s) with the Underproduced Party covering all or part of its outstanding Gas imbalance. Such settlements will be calculated in the same manner provided above for cash settlements under Sections 9.1 or 9.2. The Overproduced Party will provide Contractor a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

ARTICLE X ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

10.1 Subject to the provisions of Sections 10.2 and **Error! Reference source not found.** (if elected) hereof, and notwithstanding anything in this Contract or in the Contract to the contrary, if Contractor assigns (including any sale, exchange or other transfer) any of its Producing Interest in the Balancing Area when it is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Makeup Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable.

10.2 The provisions of this Article X shall not be applicable in the event any Party mortgages, hypothecates or otherwise encumbers its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to an Affiliate.

10.3 Notwithstanding anything in this Contract (including but not limited to the provisions of Section 10.1 hereof) or in the Contract to the contrary, and subject to the provisions of Section 10.2 hereof, in the event an Overproduced Party intends to directly or indirectly (through the sale of stock or otherwise) sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other Parties hereto in such Balancing Area at least forty-five (45) days prior to completing the proposed transaction. Any Underproduced Party may demand from such Overproduced Party by notice in writing to all Parties in the balancing Area within fifteen (15) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. Contractor shall be notified of any such demand and of any cash settlement pursuant to this Article X, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Article X shall be paid by the Overproduced Party on or before the earlier to occur (i) of thirty (30) days after receipt of the Underproduced Party's demand or (ii) at the completion of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 9.3 through 9.6 hereof, and shall bear interest at the rate set forth in Section 9.7 hereof. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 10.1 hereof.

ARTICLE XI LIQUID HYDROCARBONS

The Parties shall share all liquid hydrocarbons recovered with Gas from the Balancing Area in accordance with the Agreement.

**ARTICLE XII
MISCELLANEOUS**

12.1 If there is any conflict between the provisions of this Annex and the provisions of the Contract, the provisions of the Contract shall govern.

12.2 This Annex shall remain in full force and effect for as long as the Contract shall remain in force and effect as to the Balancing Area, and the Contract term shall be extended if necessary until the Gas accounts between the Parties are settled in full.

12.3 Information relating to this Annex E shall be subject to the audit rights as set forth in the Contract.

ANNEX F
Procedure for the Determination of Work Units
For Work Obligations

This procedure shall govern the calculation of Work Units for the work obligations pursuant to Articles 6, 7 and 13 of this Contract.

1. Determination of Work Units

The total number of Work Units for work obligations pursuant to Articles 6, 7 and 13 is determined by the sum of the cost of individual Work Obligations divided by the value of each Work Unit

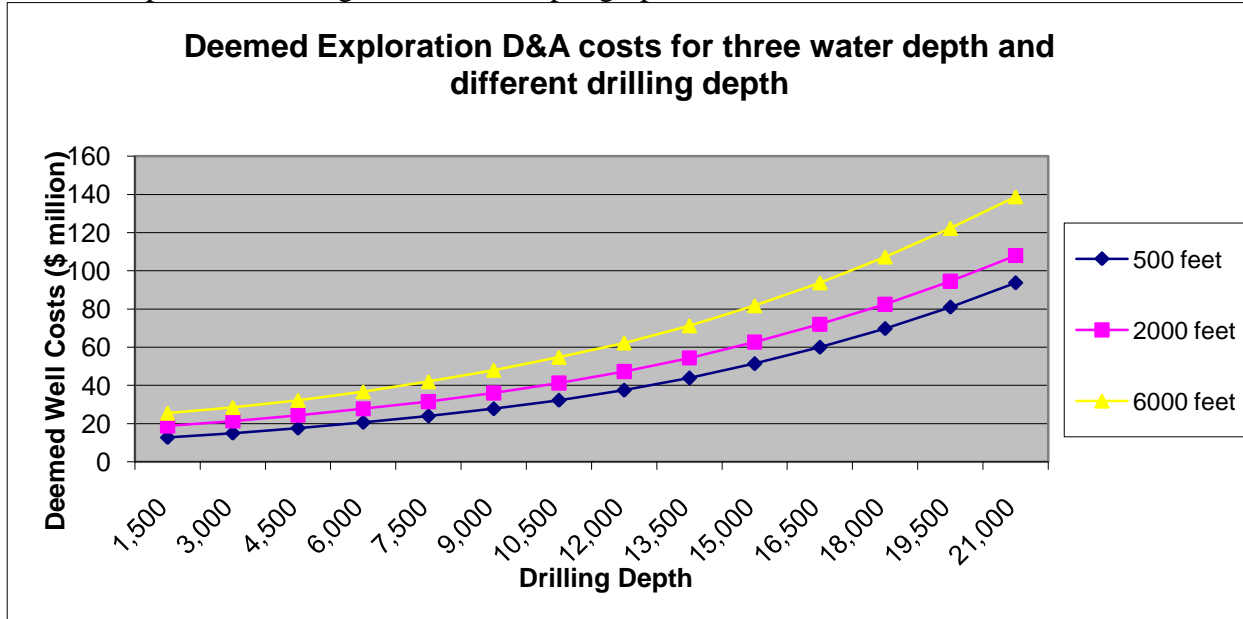
2. Method for calculating Work Units

- (i) Geophysical programme

The Work Units for the geophysical programme shall be the cost of acquisition of the programme divided by the value of the work units.

- (ii) Drilling

The well cost for the well shall be calculated using the following figure, entering the graph with the well depth and utilising the relevant depth graph to arrive at the deemed well cost.



Each Work Unit shall have the value of US \$1 million on the Effective Date. Therefore a

well which costs US\$ 40 million will have a value of 40 work units.