

**THE REPUBLIC OF TRINIDAD AND TOBAGO**

**JOINT OPERATING AGREEMENT**

**Between**

**[INSERT NAME OF STATE ENTERPRISE PARTICIPATING IN JOA]**

**AND**

**[INSERT NAME OF OPERATOR]**

**in respect of the**

**[INSERT BLOCK NAME] Block – Onshore/Nearshore TRINIDAD**

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## JOINT OPERATING AGREEMENT

**THIS AGREEMENT** is made as of the \_\_\_\_\_ (the "**Effective Date**") amongst:

(1) **[INSERT NAME OF STATE ENTERPRISE]**, a company duly incorporated under \_\_\_\_\_, with its registered office at \_\_\_\_\_ (hereinafter called "**[INSERT NAME OF STATE ENTERPRISE]**").

(2) **[INSERT COMPANY NAME]**, a company duly incorporated under \_\_\_\_\_, with its registered office at \_\_\_\_\_ (hereinafter called ("**[INSERT NAME OF OPERATOR]**").

The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as "Party" and collectively as the "Parties".

### **WHEREAS:**

- A. **[INSERT NAME OF STATE ENTERPRISE]** and **[INSERT NAME OF OPERATOR]** are Parties to an Exploration and Production (Public Petroleum Rights) Licence in the Republic of Trinidad and Tobago dated [ ] and effective as of the Effective Date covering the Contract Area (the "**Licence**"); and
- B. The Parties desire to define their respective rights and obligations concerning operations and activities under the Licence in the manner hereinafter appearing.

**NOW THEREFORE**, in consideration of the premises and the mutual covenants and agreements and obligations set out below and to be performed, the Parties agree as follows:

## **ARTICLE 1 DEFINITIONS AND INTERPRETATION**

### **1.1 Definitions**

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

**Accounting Procedure** means the rules, provisions and conditions contained in **Exhibit A**.

**Act** means the Petroleum Act, Ch. 62:01 of the Laws of the Republic of Trinidad and Tobago and any re-enactments or modifications thereto and regulations, rules and orders made thereunder.

**AFE** means an Authorization For Expenditure pursuant to **Article 6.7**.

**Affiliate** means a legal entity that at any tier Controls, is Controlled by, or is Controlled by an entity that Controls, a Party.

**Agreed Interest Rate** means interest compounded on a monthly basis, at LIBOR plus two percentage (2%) points, applicable on the first Business Day before the due date of payment and afterwards on the first Business Day of each succeeding Calendar Month. If the resulting rate is contrary to any applicable usury law, then the rate of interest to be charged shall be the maximum rate permitted by applicable law.

**Agreement** means this agreement (including the recitals), together with the Exhibits attached to this agreement, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

**Appraisal Well** means any well (other than an Exploration Well or a Development Well), whose purpose at the time drilling commences, is to evaluate the areal extent of an existing Discovery and/or the volume of Petroleum reserves contained in an existing Discovery.

**Barrel** means a quantity consisting of forty-two (42) United States gallons, corrected to a temperature of sixty (60°) degrees Fahrenheit under one (1) atmosphere of pressure.

**Business Day** means a Day other than a Saturday or Sunday or a public holiday on which commercial banks in the Republic of Trinidad and Tobago are customarily open for business.

**Calendar Quarter** means a period of three (3) consecutive months commencing with January 1 and ending on the following March 31, a period of three (3) consecutive months commencing with April 1 and ending on the following June 30, a period of three (3) consecutive months commencing with July 1 and ending on the following September 30, or a period of three (3) consecutive months commencing with October 1 and ending on the following December 31, all in accordance with the Gregorian Calendar.

**Calendar Year** means a period of twelve (12) consecutive months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.

**Carried Obligations** means those work and financial obligations more particularly described in Article 3.3, the cost of which [INSERT NAME OF STATE ENTERPRISE] shall be carried for by the other Parties.

**Cash Call** means any request for the Parties to advance their respective Participating Interest shares of estimated cash requirements for the next calendar month's Joint Operations in accordance with an approved Work Programme and Budget.

**Commercial Discovery** means any Discovery that is sufficient to entitle one or more of the Parties to develop and produce under the terms of the Licence.

**Completion** means an operation intended to complete a well through the Christmas tree as a producer of Petroleum in one or more Zones, including the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation.

**Consenting Party** means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.

**Consequential Loss** means any losses, damages, costs, or liabilities caused (directly or indirectly) by any of the following arising out of, relating to, or connected with this Agreement or the operations and/or activities carried out under this Agreement: (i) reservoir or formation damage; (ii) inability to produce, use or dispose of Petroleum; (iii) loss or deferment of income; (iv) punitive damages; or (v) indirect damages or losses whether or not similar to the foregoing.

**Contract Area** means as of the Effective Date the area that is described in **Exhibit B**. The perimeter or perimeters of the Contract Area shall correspond to that area covered by the Licence, as such area may vary from time to time during the term of validity of the Licence.

**Control** means the ownership directly or indirectly of fifty percent (50%) or more of the voting rights in a legal entity.

**Crude Oil** means all crude oils, condensates, natural gas liquids and other hydrocarbons in a liquid state at standard pressure that are covered by the Licence.

**Day** means a period of twenty-four (24) consecutive hours commencing from 12:00 am until 11:59 pm, unless otherwise specifically provided.

**Decommissioning** means all work required for the abandonment of Joint Property in accordance with good oil field practice and applicable legal obligations, including, where required, plugging of wells, abandonment, disposal, demolition, removal and/or cleanup of facilities, and any necessary site remediation and restoration.

**Decommissioning Costs** means the costs of Decommissioning.

**Decommissioning Response Deadline** means as to each Party the thirtieth (30th) Day after receipt of Operator's notice of Decommissioning under **Article 10.1(A)**.

**Deepening** means an operation to drill a well to an objective Zone below the deepest Zone in which such well was previously drilled, or below the deepest Zone proposed in the associated AFE (if required), whichever is the deeper.

**Delivery Point** means the point at which title and risk of loss of each Party's Entitlement passes to such Party.

**Development Plan** means an overall plan and cost estimate for the development of Petroleum from a Commercial Discovery.

**Development Well** means any well drilled, whose purpose relates to the production of Petroleum under a Development Plan.

**Discovery** means the location of an accumulation of Petroleum whose existence until that moment was unproven by drilling.

**Dispute** means any disagreement, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement, including any disagreement as to the construction, validity, interpretation, enforceability or breach of this



Agreement.

**Entitlement** means that quantity of Petroleum (excluding all quantities used or lost in Joint Operations) of which a Party has the right and obligation to take delivery pursuant to the terms of this Agreement and the Licence, as such rights and obligations may be adjusted by the terms of any lifting, balancing and other disposition agreements entered into pursuant to **Article 9**.

**Environmental Loss** means any losses, damages, costs, or liabilities (other than Consequential Loss) caused by a discharge of Petroleum, pollutants, or other contaminants into or onto any medium (including land, surface water, ground water and/or air) relating to this Agreement or the operations carried out under this Agreement, including: (i) injury or damage to, or destruction of, natural resources or real or personal property; (ii) cost of pollution control, clean-up and removal; (iii) cost of restoration of natural resources; and (iv) fines, penalties, or other assessments.

**Exclusive Operation** means:

- (i) those operations and activities carried out pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties, but shall exclude the Minimum Work Obligations; and
- (ii) should there be more than one (1) Party with a Paying Interest, those Carried Obligations that are not part of the Minimum Work Obligations, conducted on an exclusive basis by any Party with a Paying Interest, as between such Parties with a Paying Interest.

**Exclusive Well** means a well drilled as an Exclusive Operation.

**Exploitation Area** means that part of the Contract Area which is established for development of a Commercial Discovery pursuant to the Licence or, if the Licence does not establish an exploitation area, then that part of the Contract Area which is delineated as the exploitation area in a Development Plan approved as a Joint Operation or as an Exclusive Operation.

**Exploitation Period** means any and all periods of exploitation during which the production and removal of Petroleum is permitted under the Licence.

**Exploration Period** means the initial six (6) year term of the Licence and any extensions thereof approved by the Ministry.

**Exploration Well** means any well, whose purpose at the time drilling commences, is to explore for an accumulation of Petroleum, which accumulation was at that time unproven by drilling and classified as an exploration well by the Minister or Ministry.

**G & G Data** means only geological, geophysical and geochemical data and other similar information that is not obtained through a well bore.

**Government** means the government of the Republic of Trinidad and Tobago and any political subdivision, agency or instrumentality thereof (including a State-controlled company or statutory corporation other than [INSERT NAME OF STATE ENTERPRISE]) and, where appropriate, shall include the Minister.

**Gross Negligence / Wilful Misconduct** means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity.

**Gross Production** means the total undivided Petroleum won and saved from the Contract Area or any Exploitation Area or any relevant part thereof, as applicable, prior to any deduction whatsoever including but not limited to royalties or division of interests or costs and expenses related to gathering, treating, compressing, transporting and storage. Gross Production shall not include any Petroleum reasonably used or unavoidably lost during any drilling, Testing, Capping or Production Operations conducted within Contract Area.

**HSE** means Health, Safety, and the Environment.

**HSE Plan** shall have the meaning set out in **Article 4.12**.

**Joint Account** means the accounts maintained by Operator under this Agreement and the Accounting Procedure to record costs, receipts, and credits of Joint Operations.

**Joint Operations** means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties and shall, for the purpose of this Agreement, also include the Carried Obligations other than those Carried Obligations that are conducted as an Exclusive Operation.

**Joint Property** means, at any point in time, all wells, facilities, equipment, materials, information, funds and property (other than Petroleum) held for use in Joint Operations.

**Laws** means those laws, statutes, rules and regulations applicable in the Republic of Trinidad and Tobago governing activities under the Licence and this Agreement.

**LIBOR** means the interest rate per annum equal to the British Bankers Association London Interbank Offered Rate for one-month U.S. dollar deposits, as published in London by the Financial Times or if not published, then by The Wall Street Journal.

**Licence** means the instrument identified in the recital A to this Agreement and any extension, renewal or amendment thereto.

**Material Breach** means:

- (a) any failure by the Operator to proceed expeditiously with the Minimum Work Obligations to the extent that it is reasonably likely that the Operator will fail to complete same prior to expiry of the Exploration Period given the rate of work at which he is proceeding;
- (b) any breach by the Operator of its obligations under **Article 4**;
- (c) failure by the Operator to comply with a valid direction or decision of the Operating Committee;
- (d) if the Operator is a Defaulting Party under **Article 8**;

- (e) any breach by the Operator of a term or condition of this Agreement which is incapable of being remedied; and/or
- (f) a breach (including an anticipatory breach) which is serious in the sense of having a serious effect on the benefit which the non-breaching Party would otherwise derive from a substantial portion of this Agreement over any six (6) month period during the term of this Agreement.

**Minister** means the member of cabinet to whom responsibility for matters relating to Petroleum is assigned and his duly authorized delegates pursuant to Section 5 of the Act.

**Ministry** means the Ministry responsible for Petroleum in the Republic of Trinidad and Tobago.

**Minimum Work Obligations** means those work and/or expenditure obligations specified in the Licence that must be performed in order to satisfy the obligations of the Licence.

**Natural Gas** means all gaseous hydrocarbons (including wet gas, dry gas and residue gas) which are subject to and covered by the Licence, but excluding Crude Oil.

**Non-Consenting Party** means each Party who elects not to participate in an Exclusive Operation.

**Non-Operator** means each Party to this Agreement other than Operator.

**Operating Committee** means the committee constituted in accordance with **Article 5**.

**Operator** means a Party to this Agreement designated as such in accordance with **Articles 4** or **7.11(F)**.

**Overriding Royalty** means an undivided interest in Gross Production that bears no portion of any development and production costs or any other costs, royalties or taxes associated with such production, and which is to be determined in accordance with **Article 19**;

**Participating Interest** means as to any Party, the undivided interest of such Party (expressed as a percentage of the total interests of all Parties) in the rights and obligations derived from the Parties' interest in the Licence and this Agreement.

**Paying Interest** means the extent to which a Party is obliged to assume costs and/or expenses, responsibilities and liabilities related to the Carried Obligations as provided for in this Agreement.

**Petroleum** means all substances which are subject to and covered by the Licence, including Crude Oil and Natural Gas.

**Plugging Back** means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. **"Plug Back"** and other derivatives shall be construed accordingly.

**Production Operations** means operations and activities intended to extract Petroleum for commercial purposes, especially operations and activities concerning producing wells (including Re-completing and Reworking), and field separation, processing, storage, and handling of

Petroleum upstream of the Delivery Point.

**Recompletion** means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. **“Recomplete”** and other derivatives shall be construed accordingly.

**Reworking** means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. **“Rework”** and other derivatives shall be construed accordingly.

**Secondee** and **Secondment** have the meanings set out in **Article 4.3(A)** of this Agreement.

**Security** means (i) a guarantee or standby letter of credit issued by a bank; (ii) an on-demand bond issued by a surety corporation; (iii) a corporate guarantee; (iv) any financial security required by the Licence or this Agreement; and (v) any financial security agreed from time to time by the Parties; provided, however, that the bank, surety or corporation issuing the guarantee, standby letter of credit, bond or other security (as applicable) has a credit rating indicating it has a sufficient worth to pay its obligations in all reasonably foreseeable circumstances.

**Senior Supervisory Personnel** means, with respect to a Party, any director or officer of such Party, and any individual who functions for such Party or one of its Affiliates at a management level equivalent or superior to any individual functioning as such Party’s senior onsite manager or supervisor(s) who is responsible for or in charge of the conduct of seismic acquisition, drilling, construction or production and related operations, or any other field operations, but excluding all individuals functioning at a level below such field manager or supervisor.

**Sidetracking** means the directional control and intentional deviation of a well from its original trajectory so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. **“Sidetrack”** and other derivatives shall be construed accordingly.

**Testing** means an operation intended to evaluate the capacity of a Zone to produce Petroleum. **“Test”** and other derivatives shall be construed accordingly.

**Urgent Operational Matters** has the meaning ascribed to it in **Article 5.12(A)(1)**.

**Venture Information** means any information and results developed in accordance with this Agreement and the Licence in relation to Joint Operations or Exclusive Operations.

**Work Programme and Budget** means a work programme for Joint Operations and budget therefor as described and approved in accordance with **Article 6**.

**Zone** means a stratum of earth containing or thought to contain an accumulation of Petroleum separately producible from any other accumulation of Petroleum.

## 1.2 Interpretation

- (A) The Exhibits and recitals hereto shall be deemed to form and be read and construed as part of this Agreement, and in the event of a conflict between the Exhibits and/or recitals with the provisions of the main body of this Agreement, the provisions of the main body of this Agreement shall prevail over the provisions of such Exhibits and/or recitals to the extent of such conflict.
- (B) Unless otherwise provided, reference to any Article or an Exhibit means an Article or Exhibit of this Agreement.
- (C) Any reference to:
  - (1) another agreement shall be construed as a reference to such other agreement as amended, supplemented, novated or assigned from time to time;
  - (2) any statute, statutory provision or statutory instrument shall include a reference to statute, statutory provision or statutory instrument as from time to time amended, extended or re-enacted; and
  - (3) a time of day shall be a reference to local time in the Republic of Trinidad and Tobago.
- (D) Where the context requires, the singular shall include the plural and vice versa and reference to any gender shall include a reference to all other genders.
- (E) Where a period of time is expressed to run from a certain day that day shall be included in computing the period.
- (F) A capitalized derivative or other variation of a defined term will have a corresponding meaning and be construed accordingly.
- (G) The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.
- (H) The terms “*include*” and “*including*” shall mean include or including without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.

## ARTICLE 2 TERM AND TERMINATION

- 2.1 This Agreement shall have effect from and including the Effective Date and shall continue in effect until:
  - (A) the Licence terminates;
  - (B) all materials, equipment and personal property acquired for or used in connection with Joint Operations or Exclusive Operations have been disposed of or removed; and

- (C) final settlement (including settlement of any financial audit carried out under the Accounting Procedure) has been made.

**2.2** Despite **Article 2.1**:

- (A) **Article 10** shall remain in effect until all decommissioning obligations under the Licence and applicable Laws have been satisfied; and
- (B) the liability and payment obligations under **Article 3.4(B)** and **3.4(C)**, **Article 4.5**, **Article 8**, **Article 15.2**, **Article 18**, and the indemnity obligations under **Article 4.6(B)**, **7.3(A)**, **7.9(D)**, **10.1(C)**, **10.2(E)(2)**, **14.2**, **20** and **22.1(A)** shall remain in effect until all obligations have been extinguished and all Disputes have been resolved.

**2.3** Termination of this Agreement shall be without prejudice to any rights and obligations arising out of or in connection with this Agreement that have vested, matured, or accrued before such termination.

**ARTICLE 3**  
**SCOPE**

**3.1** *Scope*

- (A) The purpose of this Agreement is to establish the respective rights and obligations of the Parties concerning operations and activities under the Licence, including the joint exploration, appraisal, development, production of Petroleum (including treatment, storage, and handling of produced Petroleum upstream of the Delivery Point), the determination of Entitlements at the Delivery Point, and the abandonment of any wells, decommissioning of facilities and any necessary site remediation and restoration.
- (B) For greater certainty, the Parties confirm that, except to the extent expressly included in the Licence, the following activities are outside of the scope of this Agreement and are not addressed herein:
  - (1) construction, operation, ownership, maintenance, repair and removal of facilities downstream from the Delivery Point;
  - (2) transportation of the Parties' Entitlements downstream from the Delivery Point;
  - (3) marketing and sales of Petroleum, except as expressly provided in **Article 7.11(E)**, **Article 8.4** and **Article 9**;
  - (4) acquisition of rights to explore for, appraise, develop or produce Petroleum outside of the Contract Area (other than as a consequence of unitization with an adjoining contract area under the terms of the Licence); and
  - (5) exploration, appraisal, development or production of minerals other than Petroleum, whether inside or outside of the Contract Area.

### **3.2 Participating Interest**

- (A) The Participating Interests of the Parties as of the Effective Date are:

[INSERT NAME OF STATE ENTERPRISE] %

[INSERT OPERATOR NAME] %

- (B) If a Party transfers all or part of its Participating Interest pursuant to the provisions of this Agreement and the Licence, the Participating Interests of the Parties under this Agreement shall be revised accordingly, and the Parties hereby undertake to execute any documentation and to fulfil any formality necessary to give effect to such Participating Interest revision.

- (C) If [INSERT NAME OF STATE ENTERPRISE] elects to convert its Participating Interest in the Contract Area to an Overriding Royalty pursuant to **Article 19**, then upon execution of a new agreement between [INSERT NAME OF STATE ENTERPRISE] and the other Parties for such Overriding Royalty ("**Overriding Royalty Agreement**"), the other Parties shall have the benefit of [INSERT NAME OF STATE ENTERPRISE]'s Participating Interest in the Contract Area that has been so converted in proportion to the Participating Interests of such other Parties, unless the other Parties decide otherwise. Until such time as a definitive Overriding Royalty Agreement shall have been entered into between [INSERT NAME OF STATE ENTERPRISE] and the other Parties, [INSERT NAME OF STATE ENTERPRISE] shall retain and continue to hold its Participating Interest under this Agreement. Further, notwithstanding the conversion of its Participating Interest into an Overriding Royalty pursuant to the executed Overriding Royalty Agreement, [INSERT NAME OF STATE ENTERPRISE] shall remain liable to the other Parties for any obligations, financial or otherwise (as applicable) which may have vested, matured or accrued under this Agreement or the Licence, prior to the effective date of the executed Overriding Royalty agreement.

### **3.3 Carried Obligations**

- (A) [INSERT OPERATOR NAME] shall be responsible for and pay 100% of [INSERT NAME OF STATE ENTERPRISE]'s costs as follows:

#### *Work Programme*

- (1) All Minimum Work Obligations under the Clause 4 of the Licence and all work and expenditures ancillary to such work obligations. Without limitation to the generality of the foregoing, such carried costs shall include: [WORK PROGRAMME ELEMENTS TO BE NEGOTIATED].

### **3.4 Ownership, Obligations and Liabilities**

- (A) Unless otherwise provided in this Agreement, all the rights and interests in and under this Agreement and the Licence, all Joint Property, and any Petroleum produced from the Contract Area shall, subject to the terms of the Licence, be owned by the Parties in

proportion to their respective Participating Interests.

- (B) Unless otherwise provided in this Agreement, the obligations of the Parties under the Licence and all liabilities and expenses incurred by the Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties in proportion to their respective Participating Interests.
- (C) Unless otherwise provided in this Agreement, each Party shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including Cash Calls and interest, accrued pursuant to this Agreement. A Party's payment of any charge under this Agreement shall be without prejudice to its right to later contest the charge.
- (D) For clarification purposes and notwithstanding anything to the contrary, all wells, facilities, equipment, materials and information which were part of the Carried Obligations, shall be considered Joint Property and owned by the Parties in accordance with those Participating Interest shares as set out in **Article 3.2(A)**.
- (E) Unless otherwise provided in this Agreement, each Party shall obtain and provide a Security from its parent company or a corporate guarantee from an Affiliate or a financial institution acceptable to Minister, for such Party's performance of its obligations under the Licence as required under Clause 5 of the Licence.
- (F) For clarification purposes in relation to Joint Property, data existing and owned by [INSERT NAME OF STATE ENTERPRISE] prior to the Effective Date shall remain [INSERT NAME OF STATE ENTERPRISE]'s property and the Parties (other than [INSERT NAME OF STATE ENTERPRISE]) will not acquire by implication or otherwise any right in title to or licence in respect of any such data that may be supplied by [INSERT NAME OF STATE ENTERPRISE] to the Parties for the purpose of Petroleum Operations hereunder. [INSERT NAME OF STATE ENTERPRISE] shall retain the unfettered right to sell, trade or disclose such data to such persons as it deems fit.

## **ARTICLE 4 OPERATOR**

### **4.1 Designation of Operator**

[INSERT OPERATOR NAME] is designated as the Operator, accepts the rights, duties, and obligations of Operator, and agrees to act as such in accordance with the terms and conditions of the Licence and this Agreement.

### **4.2 Rights and Duties of Operator**

- (A) Subject to the terms and conditions of this Agreement, the Operator shall have all of the rights, functions and duties of Operator under this Agreement and the Licence and shall have exclusive charge of and shall conduct all Joint Operations. The Operator may employ independent contractors and agents (which independent contractors and agents may



include an Affiliate of Operator, a Non-Operator, or an Affiliate of a Non-Operator) in such Joint Operations. If for any reason any Non-Operator is required to act as the Operator it shall be entitled to exercise the rights and shall assume the obligations of the Operator under this Agreement.

- (B) In the conduct of Joint Operations, the Operator shall:
- (1) perform Joint Operations in accordance with the provisions of the Licence, the Laws and this Agreement and consistent with approved Work Programmes and Budgets (and, if applicable, approved AFEs) and decisions of the Operating Committee not in conflict with this Agreement;
  - (2) conduct all Joint Operations in a diligent, safe, efficient, proper and workmanlike manner in accordance with such good and prudent petroleum industry practices and field conservation principles as are generally followed by the international petroleum industry and with that degree of diligence and prudence reasonably and ordinarily exercised by experienced operators engaged in a similar activity under similar circumstances and conditions;
  - (3) exercise due care with respect to the receipt, payment and accounting of funds in accordance with good and prudent practices as are generally followed by the international petroleum industry under similar circumstances;
  - (4) subject to **Article 4.6** and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations, provided that Operator may rely upon Operating Committee approval of specific accounting practices not in conflict with the Accounting Procedure;
  - (5) perform the duties for the Operating Committee as set out in **Article 5**, and prepare and submit to the Operating Committee proposed Work Programmes and Budgets and (if required) AFEs, as provided in **Article 6**;
  - (6) use all reasonable efforts to acquire all permits, consents, approvals, and surface or other rights that may be required for or in connection with the conduct of Joint Operations and, without limitation to the generality of the foregoing, negotiate with and acquire from third parties rights of access to private property, rights of way and/or wayleaves, surface use agreements and surface leases and/or licences, and, subject to the provisions of this Agreement, pay reasonable compensation for any loss, damage or injury which may be caused by the Operator, its servants and/or agents to any third party in respect of such third party's rights;

- (7) upon receipt of reasonable advance notice, permit the representatives of any of the Parties to have at all reasonable times during normal business hours and at their own risk and expense reasonable access to the Joint Operations with the right to observe all Joint Operations, to inspect all Joint Property, to conduct HSE audits and to conduct financial audits and to observe taking of inventory, as provided in the Accounting Procedure;
- (8) undertake to maintain the Licence in full force and effect in accordance with such good and prudent petroleum industry practices as are generally followed by the international petroleum industry under similar circumstances. The Operator shall promptly pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use all reasonable endeavours to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations;
- (9) pay in cash and/or make available in kind to the Government on behalf of the Parties, in accordance with the Licence and the Laws, all periodic payments, royalties, taxes, fees and other payments pertaining to Joint Operations but excluding any taxes measured by the incomes of the Parties;
- (10) carry out the obligations of Operator pursuant to this Agreement and the Licence, including preparing and furnishing such reports, records and information as may be required pursuant to them and the Act;
- (11) have, in accordance with any decisions of the Operating Committee, the exclusive right and obligation to represent the Parties in all meetings and other dealings with the Government with respect to matters arising under the Licence and Joint Operations. The Operator shall notify the other Parties as soon as possible of the time, place, and agenda of all such meetings. Subject to the Licence and any necessary Government approvals, Non-Operators shall have the right, at their own cost, to attend any meetings with the Government with respect to such matters, but only in the capacity of observers. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government with respect to any issue peculiar to its particular business interests arising under the Licence or this Agreement, but in such event such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party has no duty to divulge to the other Parties any proprietary information involved in such discussions or any matters not affecting the other Parties;
- (12) in accordance with **Article 9.3** and any decisions of the Operating Committee, assess (to the extent lawful) alternatives for the disposition of Natural Gas from a Discovery;
- (13) in case of an emergency (including a significant fire, explosion, Natural Gas release, Crude Oil release, or sabotage; incident involving loss of life, serious injury to an employee, contractor, or third party, or serious property damage;

strikes, riots, as well as any insurrection against the Government; or evacuations of Operator personnel): (i) take all necessary and proper measures for the protection of life, health, the environment and property; and (ii) as soon as reasonably practicable, report to Non-Operators the details of such event and any measures Operator has taken or plans to take in response thereto;

- (14) establish and implement pursuant to **Article 4.12** the HSE Plan to govern Joint Operations which is designed to ensure compliance with the Licence and Laws relating to HSE, this Agreement, generally accepted practices of the international petroleum industry and decisions of the Operating Committee;
- (15) prior to appointing or engaging any independent contractor conduct appropriate and proportionate due diligence concerning relevant criteria, including such contractor's ability to perform the proposed work properly, on time, within budgeted cost, and in compliance with applicable legal and contractual requirements;
- (16) include in its contracts with independent contractors and the Operator's Affiliates, and to the extent practical and lawful, provisions which:
  - (a) establish that such contractors, subcontractors and any third parties can only enforce their contracts against the Operator;
  - (b) permit the Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from, such contractors; and
  - (c) require such contractors to take insurance required by **Article 4.7**.
  - (d) allow the full assignment to the Parties of such third-party contracts in the event of the resignation or removal of the Operator.
- (17) The Operator shall freely and in a timely manner consult with Non-Operators concerning the Joint Operations and shall keep them advised of all important matters arising in connection therewith.

#### **4.3 Operator Personnel**

- (A) The Operator shall engage or retain only such employees, Secondees, contractors, consultants and agents as are reasonably necessary to conduct Joint Operations. For the purposes of this **Article 4.3**, "**Secondee**" means an employee of a Non-Operator (or its Affiliate) who is seconded to the Operator to provide services under a secondment agreement to be negotiated and entered into between the Operator and such Non-Operator; and "**Secondment**" means placement within

the Operator's organization in accordance with this **Article 4.3** of one or more persons who are employed by a Non-Operator or an Affiliate.

- (B) (1) Subject to the Licence and this Agreement, the Operator shall determine the number of employees, Secondees, contractors, consultants and agents, necessary for the conduct of Joint Operations. In addition, the Operator shall determine the selection of such persons, their hours of work, and (except for Secondees) the compensation to be paid to all such persons in connection with Joint Operations.
- (2) Operator may request that it be allowed to engage at least one (1) [INSERT NAME OF STATE ENTERPRISE] employee as a Secondee for the Joint Account (but subject to **Article 3.3(A)(3)**), to occupy a reasonably senior role in connection with the Joint Operations or the Minimum Work Obligations. The Operator shall define such role, which is to report directly to the country manager or operations manager of the Operator. Such person shall be selected and approved for Secondment by [INSERT NAME OF STATE ENTERPRISE] in its sole discretion from a reasonably comprehensive list of [INSERT NAME OF STATE ENTERPRISE]'s employees who are appropriately qualified by education and experience to occupy such position.
- (3) The Parties recognize that:
- (a) they can benefit from the experience and contacts of [INSERT NAME OF STATE ENTERPRISE] personnel; and
- (b) the involvement of [INSERT NAME OF STATE ENTERPRISE] personnel in the conduct of Joint Operations complements the Parties' commitment to development of its personnel.

Accordingly, the Parties will collaborate to their best mutual economic benefit to implement practices within Operator that facilitate the training of [INSERT NAME OF STATE ENTERPRISE] nominees and the secondment of [INSERT NAME OF STATE ENTERPRISE] personnel to Operator in support of these principles.

- (C) Save and except as provided in **Article 4.3(B)(2)** above no Secondment may be implemented except in accordance with paragraphs (1) to (7) below:
- (1) Any Party may propose Secondment for a designated purpose related to Joint Operations. Any proposal for Secondment must include the:
- (a) designated purpose and scope of Secondment, including duties, responsibilities, and deliverables;
- (b) duration of the Secondment;
- (c) number of Secondees and minimum expertise, qualifications and experience required;
- (d) work location and position within the Operator's organization of each Secondee; and
- (e) estimated costs of the Secondment.

- (2) In relation to a proposed Secondment meeting the requirements of **Article 4.3(C)(1)**, the Operator shall, as soon as reasonably practicable, approve or reject any Secondment proposed by a Non-Operator, in the Operator's sole discretion.
  - (3) Any proposal for one or more Secondment positions approved by the Operator is subject to the Operating Committee's authorization of an appropriate budget for such Secondment positions.
  - (4) As to each approved and authorized Secondment position, the Operator shall request Non-Operators to nominate, by a specified date, qualified personnel to be the Secondee for such position. Each Non-Operator has the right (but not the obligation) to nominate for each Secondment position one or more proposed Secondees who such Non-Operator considers reasonably qualified to fulfil the designated purpose and scope of such Secondment.
  - (5) Following the deadline for submitting nominations, the Operator shall consider the expertise and experience of each such nominee in light of the expertise and experience required for the approved and authorized Secondment position, and shall select or reject any nominee within the Operator's sole discretion.
  - (6) The Operator shall have the right to terminate the Secondment for cause in accordance with the secondment agreement provided for under **Article 4.3(D)**.
  - (7) Although each Secondee shall report to and be directed by the Operator, each Secondee shall remain at all times the employee of the Party (or its Affiliate) nominating such Secondee.
- (D) Any Secondment under this Agreement shall be in accordance with a separate secondment agreement to be negotiated and entered into between the Operator and the employer of the Secondee, which said agreement shall be consistent with this **Article 4.3**.
- (E) All costs related to Secondment and Secondees that are within the Work Programme and Budget related to such Secondment position shall be charged to the Joint Account (subject to **Article 3.3(A)(3)**).
- (F) If any Secondee acting as the Senior Supervisory Personnel of the Operator or its Affiliates engages in Gross Negligence/Wilful Misconduct which proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in **Articles 4.6(A) or 4.6(B)**, then all such damages, losses, costs, expenses and liabilities shall be allocated to the Joint Account notwithstanding the provisions of **Article 4.6**.

#### **4.4 Information Supplied by Operator**

- (A) Subject to **Article 15.4**, the Operator shall provide Non-Operators in a timely manner with copies of the following information, data and reports relating to Joint Operations (to the extent to be charged to the Joint Account) in digitized format and if not available then in hard-copy as they are currently produced or compiled from Joint Operations, the cost of which shall be charged to the Joint Account (unless otherwise provided in this Agreement):

- (1) copies of all surveys and, if reasonable in the circumstances, all logs including in digitally recorded format, if such exists. Logs which are required by the Parties for operational decision-making shall be delivered to the Parties within twenty-four hours of their receipt by the Operator and all other logs will be delivered to the Parties in a timely manner following their receipt by the Operator;
- (2) daily drilling reports;
- (3) copies of all Tests and core data analysis reports, (including drill stem tests and pressure surveys) and all other technical data surveys (if any);
- (4) final well recap report;
- (5) copies of plugging reports;
- (6) well bore samples (drill cuttings) and also rock samples if any obtained from seismic acquisition to be preserved and submitted for analyses;
- (7) at the cost of the Party requesting it, palaeontology sample analyses indicating lithologies, faunal assemblages and all geological formations through which the well was drilled;
- (8) copies of the final processed version and any subsequent reprocessing of all seismic lines and positioning, shot point location base map, observer's reports, seismic field tapes and final acquisition/processing reports, all geophysical information, including but not limited to seismic, magnetic and gravity data and weekly summaries of seismic activity;
- (9) engineering studies, development schedules and quarterly progress reports on development projects;
- (10) field and well performance reports, including reservoir studies and reserve estimates and short and long term production forecasts;
- (11) copies of all material reports relating to Joint Operations or the Contract Area furnished by the Operator to the Minister including well proposals, location reports, site survey reports and drilling programmes prior to or concurrent with such filing; and (ii) other material studies and reports relating to Joint Operations and other studies carried out by the Operator, their respective Affiliates or third parties including but not limited to petroleum engineering, development feasibility, project cost estimates, project implementation, field performance reserve estimates and Development Plans;
- (12) copies of final interpretations, including but not limited to geological and geophysical maps, seismic and well log cross sections and relevant reports, all as are reasonable in the circumstances;

- (13) long-term production forecasts, submitted with the annual Work Programmes and Budgets, such forecasts to be made on a yearly basis save that the current budget year shall also be broken down on a monthly basis;
  - (14) copies of financial and accounting reports as provided for herein and in the Accounting Procedure;
  - (15) a quarterly report detailing and comparing approved budgeted amounts to actual amounts with an explanation for significant variations;
  - (16) annual reserves reports including proved developed reserves;
  - (17) gas balancing reports under any arrangements or agreements contemplated in **Article 9.3**;
  - (18) monthly reports on production with performance data listed by field, wells and reservoirs;
  - (19) copies of all important notices, reports, applications and returns coming from or sent to the Minister or the Government with respect to Joint Operations including receipts for taxes, duties, levies or fees paid by the Operator on behalf of Licensee and any reports, information and data which the Operator is required to submit to the Minister in compliance with the Licence;
  - (20) monthly reports of accounting and financial data and a quarterly reconciliation of Work Programmes and Budgets, AFEs and the Joint Account with an explanation for significant variations and where practicable, an indicative draft annual Budget for the following three (3) Calendar Years;
  - (21) an annual statement of the cost of dismantlement of wells, equipment and all related facilities in accordance with the IAS-37, international financial reporting standard of the International Accounting Standards Board;
  - (22) such additional information as a Non-Operator may reasonably request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not unduly burden the Operator's administrative and technical personnel. Only Non-Operators which pay such costs will receive such additional information; and
  - (23) other reports as directed by the Operating Committee.
- (B) The Operator shall give Non-Operators access at all reasonable times during normal business hours to all data and reports (other than data and reports provided to Non-Operators in accordance with **Article 4.4(A)**) acquired in the conduct of Joint Operations, which a Non-Operator may reasonably request. Any Non-Operator may make copies of such other data at its sole expense.
- (C) To the extent that it relates to Carried Obligations, a Party whose Paying Interest is zero (0) because its obligations are met by the other Parties shall not bear any costs associated with the

provision, production or compilation of any and all information or data both requested and received by it pursuant to this **Article 4.4**.

#### **4.5 Settlement of Claims and Lawsuits**

- (A) The Operator shall promptly notify the Parties of any and all material claims or suits that relate in any way to Joint Operations. The Operator shall represent the Parties and defend or oppose the claim or suit. The Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of One Hundred and Fifty Thousand United States dollars (US\$150,000.00) exclusive of legal fees. The Operator shall obtain the approval and direction of the Operating Committee on amounts in excess of the above-stated amount. Without prejudice to the foregoing, each Non-Operator shall have the right to have reasonable access to and to be provided with all reasonable information and documents of the Operator regarding the claim and to be represented by its own counsel at its own expense in the settlement, compromise or defence of such claims or suits.
- (B) Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party that arises out of or may affect the Joint Operations, and such Non-Operator shall defend or settle the same in accordance with any directions given by the Operating Committee. Those costs, expenses and damages incurred pursuant to such defence or settlement which are attributable to Joint Operations shall be for the Joint Account.
- (C) Notwithstanding **Article 4.5(A)** and **Article 4.5(B)**, each Party shall have the right to participate in any such suit, prosecution, defence or settlement conducted in accordance with **Article 4.5(A)** and **Article 4.5(B)**, at its sole cost and expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Operating Committee that it can do so without prejudicing the interests of the Joint Operations.

#### **4.6 Limitation on Liability of Operator**

- (A) Except as otherwise set out in this **Article 4.6**, neither the Operator nor any other Indemnitee (as defined below) shall bear (except as a Party to the extent of its Participating Interest share) any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of the Operator, and the Indemnitees are hereby released from liability to Non-Operators for any and all damages, losses, costs, expenses and liabilities arising out of, incident to or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Wilful Misconduct, strict liability or other legal fault of the Operator (or any such Indemnitee).
- (B) Except as otherwise set out in this **Article 4.6**, the Parties shall (in proportion to their Participating Interests) defend and indemnify the Operator and its Affiliates, and their respective directors, officers, and employees (collectively, the "**Indemnitees**"), from any



and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any person or entity, which claims, demands or causes of action arise out of, are incident to or result from Joint Operations, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Wilful Misconduct, strict liability or other legal fault of the Operator (or any such Indemnitee).

- (C) Notwithstanding **Articles 4.6(A) or 4.6(B)**, but subject to **Article 4.6(D)**, where:
- (a) any Senior Supervisory Personnel of the Operator or its Affiliates engage in Gross Negligence/Wilful Misconduct which proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in **Articles 4.6(A) or 4.6(B)**, or
  - (b) the Operator fails to obtain or maintain any insurance which it is required to obtain and maintain under Article 4.7, except where the Operator has used all reasonable endeavours to obtain or maintain any such insurance but has been unable to do so and has promptly so notified the Parties participating or proposing to participate therein,

then, in addition to its Participating Interest share, the Operator shall bear all such damages, losses, costs, expenses and liabilities.

- (D) Notwithstanding the foregoing, under no circumstances shall the Operator (except as a Party to the extent of its Participating Interest) or any other Indemnitee bear any Consequential Loss or Environmental Loss.
- (E) Nothing in this **Article 4.6** shall be deemed to relieve the Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, incident to, or resulting from Joint Operations.
- (F) It is acknowledged and agreed by the Parties that save and except for the provisions of this Article 4.6, nothing shall exempt or limit the liability of the Operator or any Party from **any damage, loss, cost, expense or liability** arising from its non-compliance with the obligations under and procedures established in this Agreement for dealings among the Parties.

#### **4.7 Insurance Obtained by Operator**

- (A) The Operator shall procure and maintain for the Joint Account all insurance in the types and amounts required by the Licence or the Laws.
- (B) The Operator shall procure and maintain any further insurance, at reasonable rates, as the Operating Committee may from time to time require. In the event that such further insurance is, in the Operator's reasonable opinion, unavailable or available only at an

unreasonable cost, the Operator shall promptly notify the Non-Operators in order to allow the Operating Committee to reconsider such further insurance.

- (C) Each Party will be provided the opportunity to underwrite any or all of the insurance to be obtained by the Operator under **Articles 4.7(A) and 4.7(B)**, through such Party's Affiliate insurance company or, if such direct insurance is not so permitted, through reinsurance policies to such Party's Affiliate insurance company; provided that the security and creditworthiness of such insurance arrangements are satisfactory to the Operator, and that such arrangements will not result in any part of the premiums for such insurance not being recoverable under the Licence, or being significantly higher than the market rate.
- (D) Subject to the Licence and the Laws, any Party may elect not to participate in the insurance to be procured under **Articles 4.7(A) and 4.7(B)** provided such Party:
- (1) gives prompt written notice to that effect to the Operator;
  - (2) does nothing which may interfere with the Operator's negotiations for such insurance for the other Parties;
  - (3) obtains insurance prior to or concurrent with the commencement of relevant operations and maintains such insurance (in respect of which a current certificate of adequate coverage, provided at least once a year, shall be sufficient evidence) or other evidence of financial responsibility which fully covers its Participating Interest share of the risks that would be covered by the insurance to be procured under **Article 4.7(A)** and/or **Article 4.7(B)**, as applicable, and which the Operating Committee determines to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each Cash Call (except, in accordance with **Article 4.7(F)**, as regards the costs of the insurance policy including any deductibles in which such Party has elected not to participate) including any Cash Call with respect to damages and losses and/or the costs of remedying the same in accordance with the terms of this Agreement, the Licence and the Laws. If such Party obtains other insurance, such insurance shall (a) contain a waiver of subrogation in favour of all the other Parties, the Operator and their insurers but only with respect to their interests under this Agreement; (b) provide that thirty (30) Days written notice be given to the Operator prior to any material change in, or cancellation of, such insurance policy; (c) be primary to, and receive no contribution from, any other insurance maintained by or on behalf of, or benefiting the Operator or the other Parties; and (d) contain adequate territorial extensions and coverage in the location of the Joint Operations; and
  - (4) is responsible for all deductibles, coinsurance payments, self-insured exposures, uninsured or underinsured exposures relating to its interests under this Agreement.
- (E) The cost of insurance in which all the Parties are participating shall be for the Joint Account and the cost of insurance in which less than all the Parties are participating shall

be charged to the Parties participating in proportion to their respective Participating Interests. Subject to the preceding sentence, the cost of insurance with respect to an Exclusive Operation shall be charged to the Consenting Parties.

- (F) The Operator shall, with respect to all insurance obtained under this **Article 4.7**:
- (1) use reasonable endeavours to procure or cause to be procured such insurance prior to or concurrent with, the commencement of relevant operations and maintain or cause to be maintained such insurance during the term of the relevant operations or any longer term required under the Licence or the Laws;
  - (2) promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;
  - (3) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favour of all the Parties but only with respect to their interests under this Agreement;
  - (4) use reasonable endeavours to ensure that each policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and that all rights of the insured shall revert to the Parties not in default or bankruptcy; and
  - (5) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.
- (G) The Operator shall use its reasonable endeavours to require all contractors performing work with respect to Joint Operations to:
- (1) obtain and maintain any and all insurance in the types and amounts required by the Licence, the Laws or any decision of the Operating Committee;
  - (2) name the Parties as additional insureds on the contractor's insurance policies and obtain from their insurers waivers of all rights of recourse against the Operator, Non-Operators and their insurers; and
  - (3) provide the Operator with certificates reflecting such insurance prior to the commencement of their services.

#### **4.8 *Commingling of Funds***

- (A) The Operator may not commingle with the Operator's own funds and the monies which the Operator receives from or for the Joint Account pursuant to this Agreement. The Operator shall open and maintain a separate bank account for all monies advanced or paid in relation to this Agreement or the Licence. The Operator shall account to the Non-Operators for the monies of a Non-Operator advanced or paid to the Operator, whether

for the conduct of Joint Operations or as proceeds from the sale of Petroleum or Joint Property under this Agreement. Such monies shall be applied only to their intended use and shall in no way be deemed to be funds belonging to the Operator.

- (B) The Operating Committee may decide that monies the Operator received for the Joint Account shall be deposited in an interest bearing account at any time. Interest earned shall be allocated among the Parties on an equitable basis taking into account the date of the funding by each Party and its share of the Joint Account monies. The Operator shall apply such earned interest to the next succeeding Cash Call or, if directed by the Operating Committee pay it to the Parties.

#### **4.9 Resignation of Operator**

Subject to **Article 4.11** and any necessary approval by the Minister, The Operator may resign as Operator at any time by so notifying the other Parties at least one hundred and twenty (120) Days prior to the effective date of such resignation.

#### **4.10 Removal of Operator**

- (A) Subject to **Article 4.11**, the Operator shall be removed upon receipt of notice from any Non-Operator if:
  - (1) Any action is initiated by the Operator or any other person to dissolve, liquidate, wind-up or otherwise terminate its corporate existence;
  - (2) The Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors;
  - (3) an order is made by a court or an effective resolution is passed for the reorganization under any bankruptcy law, dissolution, liquidation, or winding up of the Operator; or
  - (4) a receiver is appointed for: (i) the Operator's Participating Interest or any part thereof, or (ii) a substantial part of the Operator's assets whether or not such assets include its Participating Interest or any part thereof.
- (B) Subject to **Article 4.11**, the Operator may be removed by the unanimous decision of the Non-Operators if Operator has committed a Material Breach of this Agreement and has either failed to commence to cure that breach within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion. Any decision of the Non-Operators to give notice of breach to the Operator or to remove the Operator under this Article 4.10(B) shall be made by a unanimous affirmative vote of the Non-Operators (but excluding any Affiliate of the Operator) or where there is one other Party by the other Party to this Agreement. However, if the Operator disputes such alleged commission of or failure to cure a Material Breach and

dispute resolution proceedings are initiated pursuant to **Article 18.2** in relation to such breach, then the Operator shall remain appointed and no successor to the Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of **Article 8.3** with respect to Operator's breach of its payment obligations.

- (C) If the Operator together with any Affiliates of the Operator is or becomes the holder of a Participating Interest of less than forty percent (40%), then the Operator shall be required to promptly notify the other Parties. The Non-Operators shall then vote within thirty (30) Days of such notification on whether or not the Operator should be removed and a successor to the Operator should be named under **Article 4.11**.
- (D) If there is a direct or indirect change in Control of the Operator (other than a transfer of Control to an Affiliate of the Operator), the Operator shall be required to promptly notify the other Parties. The Operating Committee shall vote within thirty (30) Days of such notification on whether or not a successor to the Operator should be named pursuant to **Article 4.11**.

#### **4.11 Appointment of Successor**

When a change of Operator occurs pursuant to **Article 4.9** or **Article 4.10**:

- (A) The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of **Article 5.9**, Provided that if neither the Operator nor any Affiliate of the Operator shall have the right to be considered as a candidate for the successor to the Operator in accordance with **Article 4.11(B)**, then the successor Operator shall be appointed by the majority vote of not less than two (2) of the Non-Operators unless there is only one (1) Non-Operator, in which case the sole Non-Operator shall appoint the successor Operator. No Party may be appointed as a successor to the Operator against its will.
- (B) If the Operator is removed, other than in the case of **Article 4.10(C)** or **Article 4.10(D)**, neither the Operator nor any Affiliate of Operator shall have the right to be considered as a candidate for the successor Operator.
- (C) The former Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of **Article 4.10(B)**.
- (D) The former Operator and the successor Operator shall arrange for the taking of an inventory of all Joint Property and Petroleum, and an audit of the books and records of the former Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Operating Committee. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.
- (E) The resignation or removal of the Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary approvals by the

Minister.

- (F) Upon the effective date of the resignation or removal of the Operator, as the case may be, the successor Operator shall succeed to all duties, rights and authority prescribed for the Operator. The former Operator shall bear its own costs associated with the transfer to the successor Operator of custody of all Joint Property, books of account, records and other documents maintained by the Operator pertaining to the Contract Area and to Joint Operations. The former Operator shall also use best efforts to obtain such transfers or assignments to the successor Operator of contracts and agreements associated with Joint Operations that were entered into by the Operator prior to its resignation or removal. Upon delivery of the above-described property and data, the former Operator shall be released and discharged from all obligations and liabilities as the Operator accruing after such date.

#### **4.12 Health, Safety and Environment**

- (A) With the goal of achieving safe and reliable operations in compliance with applicable HSE laws, rules and regulations (including avoiding significant and unintended impact on the safety or health of people, on property, or on the environment), the Operator [INSERT NAME OF STATE ENTERPRISE] shall in the conduct of Joint Operations:
- (1) establish and implement an HSE Plan in a manner consistent with standards and procedures generally followed in the international petroleum industry under similar circumstances;
  - (2) procure that Joint Property is designed and operated consistent with the HSE Plan; and
  - (3) conform with locally applicable HSE laws, rules and regulations and other HSE-related statutory requirements that may apply, including directives from the Minister and/or Ministry.
- (B) The Operating Committee shall be provided by the Operator, on an annual basis, with an HSE letter of assurance providing adequate evidence that an HSE Plan is in place and that any major HSE issues have been brought to the attention of the Operating Committee and are being properly managed.
- (C) In the conduct of Joint Operations, the Operator shall establish and implement a programme for regular HSE assessments which, upon reasonable notice to the Operator, Non-Operators shall have the right to participate in such HSE assessments.
- (D) The Operator shall require its contractors, consultants and agents undertaking activities for the Joint Account to manage HSE risks in a manner consistent with the requirements of this **Article 4.12**.
- (E) The Operator shall establish and enforce rules consistent with those generally followed in the international petroleum industry under similar circumstances that, at a minimum,

prohibit within the Contract Area the following:

- (1) possession, use, distribution or sale of firearms, explosives, or other weapons without the prior written approval of senior management of the Operator;
  - (2) possession, use, distribution or sale of alcoholic beverages without the prior written approval of senior management of the Operator; and
  - (3) possession, use, distribution or sale of illicit or non-prescribed controlled substances and the misuse of prescribed drugs.
- (F) Without prejudice to a Party's rights under **Article 4.2(B)(7)**, with reasonable advance notice, the Operator shall permit each Non-Operator to have at all reasonable times during normal business hours (and at Non-Operator's own risk and expense) the right to conduct its own HSE audit.
- (G) With the objective of clearly identifying all existing infrastructure, facilities and wells located within and outside the Contract Area which shall become Joint Property under this Agreement (collectively "**Existing Facilities**"), the Operator shall, within six (6) months of the Effective Date, undertake an audit of all Existing Facilities to be utilized in operations under this Agreement based on field trips and investigation of the records, reports, surveys, impact assessments, documents, information and data in respect of the Existing Facilities ("**Transaction Audit**") and present a final report of the Transaction Audit ("**Transaction Audit Report**") to the Operating Committee for unanimous approval. In the event the Operating Committee fails to unanimously approve the Transaction Audit Report, any Party may initiate the dispute resolution provisions of **Article 18.2**.

#### **4.13 Failure to Execute Work**

- (A) Subject to the provisions of this Agreement and the Licence, should the Operator fail to execute any works which are required to be carried out under the terms of this Agreement or the Licence, and which present the Non-Operators with a real risk of incurring liabilities including, without limitation to the generality of the foregoing, the plugging and/or abandonment of wells, the adoption of safety, health and welfare measures, the prevention of pollution, and the control and supervision of a blowout or fire, any one or more of the Non-Operators may (without any obligation), if it is deemed expedient, cause such works to be executed and shall, in such case, charge to the Parties in accordance with their respective Participating Interests the reasonable and justified costs and expenses incurred, save that before so acting, such Non-Operator or Non-Operators shall give the Operator at least fourteen (14) Days' notice prior to undertaking such works or activities to afford the Operator a final opportunity of executing the work, save and except in the case of emergency, in which event should the Operator fail to execute any works required to be executed forthwith, such Non-Operator or Non-Operators may cause such works to be executed immediately.
- (B) Only to the extent that it relates to the works undertaken by a Non-Operator or Non-Operators pursuant to this **Article 4.13**, such Non-Operator or Non-Operators shall:

be afforded the same protection under **Article 4.6** in respect of the works undertaken,  
and

be under the same obligations under this Agreement,

to the same extent as if such Non-Operator or Non-Operators were the Operator.

## **ARTICLE 5 OPERATING COMMITTEE**

### **5.1 *Establishment of Operating Committee***

To provide for the overall supervision and direction of Joint Operations, there is established an Operating Committee composed of representatives of each Party holding a Participating Interest. Each Party shall appoint one (1) representative and one (1) alternate representative to serve on the Operating Committee. Each Party shall as soon as possible after the date of this Agreement give notice in writing to the other Parties of the name and address of its representative and alternate representative to serve on the Operating Committee. Each Party shall have the right to change its representative and alternate at any time by giving notice of such change to the other Parties.

### **5.2 *Powers and Duties of Operating Committee***

The Operating Committee shall have power and duty to authorize and supervise Joint Operations that are necessary or desirable to fulfil the Licence and properly explore and exploit the Contract Area in accordance with this Agreement and in a manner appropriate in the circumstances.

### **5.3 *Authority to Vote***

(A) The representative of a Party, or in his absence his alternate representative, shall be authorized to represent and bind such Party with respect to any matter which is within the powers of the Operating Committee and is properly brought before the Operating Committee. Each such representative shall have a vote equal to the Participating Interest of the Party such person represents. Each alternate representative shall be entitled to attend all Operating Committee meetings but shall have no vote at such meetings except in the absence of the representative for whom he is the alternate. In addition to the representative and alternate representative, each Party may also bring to any Operating Committee meetings such technical and other advisors as it may deem appropriate.

(B) A Party whose Paying Interest is zero (0) percent shall have no right to vote on any matter before the Operating Committee in respect of relevant Carried Obligations only, save and except for such matters as relate to HSE or require the unanimous consent of all the Parties under this Agreement provided that the Operator shall consult with and inform [INSERT NAME OF STATE ENTERPRISE] of the details and composition of all Work Programs and Budgets. For the avoidance of doubt, once a Party is liable to pay or pays its Participating Interest share of costs related to any matter under this Agreement it shall be entitled to vote on such matter and where a matter that comes before the Operating Committee comprises



elements relating to both the Carried Obligations and other operations and activities. [INSERT NAME OF STATE ENTERPRISE] shall have the right to vote on such other operations and activities.

#### **5.4 Subcommittees**

The Operating Committee may establish such subcommittees, including technical subcommittees, as the Operating Committee may deem appropriate. The functions of such subcommittees shall be in an advisory capacity or as otherwise determined unanimously by the Parties. Each Party shall have the right to appoint a representative to each subcommittee.

#### **5.5 Notice of Meeting and Frequency of Meetings**

- (A) The Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting or, in the case of emergencies, such shorter period in advance of such meeting as may be appropriate under the circumstances.
- (B) Any Non-Operator may request a meeting of the Operating Committee by giving notice to all the other Parties. Upon receiving such request, the Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days after receipt of the request.
- (C) The notice periods above may only be waived with the unanimous consent of all the Parties.
- (D) The Operator shall call a meeting of the Operating Committee no later than six (6) months from the Effective Date and thereafter the Operating Committee shall meet not less than once every six (6) months from the date of the last such meeting.

#### **5.6 Contents of Meeting Notice**

- (A) Each notice of a meeting of the Operating Committee as provided by the Operator shall contain:
  - (1) the date, time and location of the meeting;
  - (2) an agenda of the matters and proposals to be considered and/or voted upon; and
  - (3) copies of all proposals to be considered at the meeting (including all appropriate supporting information not previously distributed to the Parties).
- (B) A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting, may add additional matters to the agenda for a meeting in which case it must at

the same time supply copies of any proposals it wishes to make (including appropriate supporting information).

- (C) On the request of a Party, and with the unanimous consent of all Parties, the Operating Committee may consider at a meeting a proposal not contained in such meeting agenda.

### **5.7 Location of Meetings**

All meetings of the Operating Committee shall be held in Trinidad and Tobago, or elsewhere as the Parties may decide. Parties may, with the prior consent of all the Parties, attend meetings of the Operating Committee by teleconference call or other facilities whereby they can hear and be heard by all of the other attendees at such meeting.

### **5.8 Operator's Duties for Meetings**

- (A) With respect to meetings of the Operating Committee and any subcommittee, the Operator's duties shall include:
  - (1) timely preparation and distribution of the agenda;
  - (2) organization and conduct of the meeting; and
  - (3) preparation of a written record or minutes of each meeting.
- (B) The Operator shall have the right to appoint the chairman of the Operating Committee and all subcommittees.

### **5.9 Voting Procedure**

- (A) Subject to **Article 5.3(B)**, all decisions, approvals and other actions of the Operating Committee on all proposals coming before it with respect to Carried Obligations shall be decided by the affirmative vote of one (1) or more Parties which are not Affiliates having at least a sixty-five percent (65%) of the Participating Interest.
- (B) Except as otherwise expressly provided in this Agreement, all decisions, approvals and other actions of the Operating Committee on all proposals coming before it shall be decided by the affirmative vote of two (2) or more Parties which are not Affiliates then having collectively at least eighty-five percent (85%) of the Participating Interests.
- (C) [INSERT NAME OF STATE ENTERPRISE]'s affirmative vote shall be required for: (i) the approval of annual Work Programs and Budgets (except for the Work Programs and Budgets for the Carried Obligations) and any amendments to such Work Programs and Budgets, and (ii) any proposals to conduct operations or activities outside the ambit of the Minimum Work Obligations prior to completion of the Minimum Work Obligations.

- (D) All decisions, approvals and other actions listed in the table below shall require the unanimous vote of the Operating Committee.

	<b>Matter</b>
(1)	Determination that a Discovery is a Commercial Discovery (provided that if the Operating Committee determines that a Discovery is not a Commercial Discovery, a Party who voted in favour of a determination that such Discovery is a Commercial Discovery shall nevertheless be entitled to propose the development of such Discovery as a Commercial Discovery pursuant to <b>Articles 5.13 and 7</b> ).
(2)	Development Plans in respect of a Commercial Discovery to be submitted to the Ministry and any amendments thereto.
(3)	Relinquishment of all or part of the Contract Area and determination of size and shape consistent with the Licence.
(4)	Voluntary surrender of all or part of the Contract Area or any Exploitation Area and determination of size and shape consistent with the Licence.
(5)	Unitization under the Licence and/or Laws with an adjoining contract area.
(6)	Arrangements regarding the use of spare capacity and Joint Property, other than in connection with any Joint Operations or Exclusive Operations approved in accordance herewith.
(7)	Plugging, decommissioning and abandonment of wells and facilities.
(8)	Entering into or extending or renewing the term of any Exploration period or Exploitation Period or any phase of the Licence.
(9)	Construction and/or installation of processing, treatment, compression, gathering, storage, handling, transportation, and other facilities within the scope of this Agreement.

**5.10 Record of Votes**

The chairman of the Operating Committee shall appoint a secretary who shall make a record of each proposal voted on and the results of such voting at each Operating Committee meeting. Each representative shall sign and be provided a copy of such record at the end of such meeting, and it shall be considered the final record of the decisions of the Operating Committee.

### **5.11 Minutes**

The secretary of the Operating Committee shall provide each Party with a copy of the minutes of the Operating Committee meeting within fifteen (15) Business Days after the end of the meeting. Each Party shall have fifteen (15) Days after receipt of such minutes to give notice to the secretary of its objections to the minutes. A failure to give notice specifying objection to such minutes within said fifteen (15) Day period shall be deemed to be approval of such minutes. In any event, the votes recorded under **Article 5.10** shall take precedence over the minutes described above.

### **5.12 Voting by Notice**

- (A) In lieu of a meeting, any Party may submit any proposal to the Operating Committee for a vote by notice. The proposing Party or Parties shall notify the Operator who shall give each Party's representative notice describing the proposal so submitted including, if such proposal deals with matters involving Joint Operations or Exclusive Operations, and whether the Operator considers such proposal to require urgent determination. The Operator shall include with such notice adequate documentation in connection with such proposal to enable the Parties to make a decision. Each Party shall communicate its vote by notice to the Operator and the other Parties within one of the following appropriate time periods after receipt of the Operator's notice:
- (1) twenty-four (24) hours in the case of operations which involve the use of a drilling rig that is standing by in the Contract Area and such other operational matters reasonably considered by the Operator to require by their nature urgent determination (such operations and matters being referred to as "**Urgent Operational Matters**"); and
  - (2) twenty-one (21) Days in the case of all other proposals.
- (B) Except in the case of **Article 5.12(A)(1)**, any Party may, by notice delivered to all Parties within five (5) Days of receipt of the Operator's notice, request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.
- (C) Except as provided in **Article 10**, any Party failing to communicate its vote within the time periods set out at **Article 5.12(A)(1) or (2)**, as appropriate, shall be deemed to have voted against such proposal.
- (C) If a meeting is not requested, then at the expiration of the appropriate time period, the Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

### **5.13 Effect of Vote**

All decisions taken by the Operating Committee pursuant to this **Article 5** shall be conclusive and binding on all the Parties, except in the following cases:

- (A) If pursuant to this **Article 5**, a Joint Operation (other than an operation to fulfil the

Minimum Work Obligations) has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party that voted in favour of such proposal shall have the right for the appropriate period specified below to propose, in accordance with **Article 7**, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation:

- (1) For proposals related to Urgent Operational Matters, such right shall be exercisable for twenty-four (24) hours after the time specified in **Article 5.12(A)(1)** has expired or after receipt of the Operator's notice given to the Parties pursuant to **Article 5.13(D)**, as applicable.
  - (2) For proposals to develop a Discovery, such right shall be exercisable for thirty (30) Days after the date the Operating Committee was required to consider such proposal pursuant to **Article 5.6** or **Article 5.12**.
  - (3) For all other proposals, such right shall be exercisable for five (5) Days after the date the Operating Committee was required to consider such proposal pursuant to **Article 5.6** or **Article 5.12**.
- (C) If a Party voted against any proposal which was approved by the Operating Committee and which could be conducted as an Exclusive Operation pursuant to **Article 7**, then such Party shall have the right not to participate in the operation contemplated by such approval. Any such Party wishing to exercise its right of non-consent must give notice of non-consent to all other Parties within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) following Operating Committee approval of such proposal. If a Party exercises its right of non-consent, the Parties who were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operating Committee approval, and shall conduct such operation as an Exclusive Operation under **Article 7**; provided, however, that any such Party who was not entitled to give or did not give notice of non-consent may, by notice provided to the other Parties within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) following the notice of non-consent given by any non-consenting Party, require that the Operating Committee vote again on the proposal in question. Only the Parties which were not entitled to or have not exercised their right of non-consent with respect to the contemplated operation shall participate in such second vote of the Operating Committee, with voting rights proportional to their respective Participating Interest. If the Operating Committee approves again the contemplated operation, any Party which voted against the contemplated operation in such second vote may elect to be a Non-Consenting Party with respect to such operation, by notice of non-consent provided to all other Parties within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) following the Operating Committee's second approval of such contemplated operation.
- (C) If the Consenting Parties to an Exclusive Operation under **Article 5.13(A)** or **Article 5.13(B)** concur, then the Operating Committee may, at any time, pursuant to this **Article 5**, reconsider and approve, decide or take action on any proposal that the Operating Committee declined to approve earlier, or modify or revoke an earlier approval, decision or action.

- (D) Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Re-completing, Reworking, or plugging of a well has been approved and commenced, such operation shall not be discontinued without the approval of the Operating Committee; provided, however, that such operation may be discontinued if:
- (1) an impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of the Operator causes the continuation of such operation to be impractical; or
  - (2) other circumstances occur which in the reasonable judgment of the Operator cause the continuation of such operation to be unwarranted and the Operating Committee, within the period required under **Article 5.12(A)(1)** and after receipt of the Operator's notice, approves discontinuing such operation.

On the occurrence of either of the above events, the Operator shall promptly notify the Parties that such operation is being discontinued pursuant to the foregoing, and any Party shall have the right to propose in accordance with **Article 7** an Exclusive Operation to continue such operation.

## **ARTICLE 6 WORK PROGRAMMES AND BUDGETS**

### **6.1 Exploration and Appraisal**

- (A) Within sixty (60) Days after the Effective Date, the Operator shall deliver to the Parties a proposed Work Programme and Budget detailing the Joint Operations to be performed for the remainder of the current Calendar Year and, if appropriate, for the following Calendar Year. Within thirty (30) Days of such delivery, the Operating Committee shall meet to consider and endeavour to approve a Work Programme and Budget.
- (B) On or before the first (1<sup>st</sup>) Day of June of each Calendar Year, the Operator shall deliver to the Parties a proposed Work Programme and Budget detailing the Joint Operations to be performed for the following Calendar Year. Until approved the terms of such Work Programme and Budget shall not be binding on the Parties. Within thirty (30) Days of such delivery, the Operating Committee shall meet to consider and endeavour to approve a Work Programme and Budget. The final, revised Work Programme and Budget shall be submitted no later than the first (1<sup>st</sup>) day of October of each Calendar Year to allow for approval in the fourth (4<sup>th</sup>) quarter of the respective Calendar Year.
- (C) If a Discovery is made, the Operator shall deliver any notice of Discovery required under the Licence and shall as soon as possible submit to the Parties a report containing all available details concerning the Discovery and the Operator's recommendation as to whether the Discovery merits appraisal or assessment as follows:
- (1) If the Operating Committee determines that the Discovery of Crude Oil merits appraisal, the Operator within twenty (20) Days shall deliver to the Parties a proposed Work Programme and Budget for the appraisal of the Discovery. Within ten (10) Days of such delivery, or earlier if necessary to meet any applicable

- deadline under the Licence, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Programme and Budget. If the appraisal Work Programme and Budget is approved by the Operating Committee, the Operator shall take such steps as may be required under the Licence to secure approval of the appraisal Work Programme and Budget by the Minister. In the event the Minister requires changes in the appraisal Work Programme and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.
- (2) If the Operating Committee determines that a Discovery of Natural Gas has commercial potential which requires assessment it shall, within thirty (30) Days, deliver to the Parties an assessment plan for the assessment of a market in respect of such Natural Gas Discovery (an “**Assessment Plan**”) together with a corresponding Work Programme and Budget. Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify and then either approve or reject the Assessment Plan together with the relevant Work Programme and Budget in respect of the Assessment Plan. If the Assessment Plan together with the relevant Work Programme and Budget in respect of the Assessment Plan is approved by the Operating Committee, Operator shall take such steps as may be required under the Licence to secure approval of the Assessment Plan by the Minister. In the event that the Minister requires changes in the Assessment Plan or the corresponding Work Program and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.
- (3) If the Operating Committee determines that a Discovery of Natural Gas merits appraisal, the Operator shall within sixty (60) Days of such determination, deliver to the Parties a proposed Work Programme and Budget for the appraisal of the Discovery. Within sixty (60) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Programme and Budget. If the appraisal Work Programme and Budget is approved by the Operating Committee, the Operator shall take such steps as may be required under the Licence to secure approval of the appraisal Work Programme and Budget by the Minister. In the event the Minister requires changes in the appraisal Work Programme and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.
- (D) The Work Programme and Budget agreed pursuant to **Article 6.1(A) and (B)** shall include at least that part of the Minimum Work Obligations required to be carried out during the Calendar Year in question under the terms of the Licence. If within the time periods prescribed in this **Article 6.1** the Operating Committee is unable to approve such a Work Programme and Budget, then the proposal capable of satisfying the Minimum Work Obligations for the Calendar Year in question that receives the largest Participating Interest vote (even if less than the applicable percentage under **Article 5.9**) shall be deemed adopted as part of the annual Work Programme and Budget. If competing proposals receive equal votes, then the Operator shall choose between those competing proposals. Any portion of a Work Programme and Budget adopted pursuant to this

**Article 6.1(D)** instead of **Article 5.9** shall contain only such operations for the Joint Account as are necessary to maintain the Licence in full force and effect, including such operations as are necessary to fulfil the Minimum Work Obligations required for the given Calendar Year.

- (E) Any approved Work Programme and Budget may be revised by the Operating Committee from time to time. To the extent such revisions are approved by the Operating Committee, the Work Programme and Budget shall be amended accordingly. The Operator shall prepare and submit a corresponding Work Programme and Budget amendment to the Minister if required by the Licence.
- (F) Subject to **Article 6.8**, approval of any such Work Programme and Budget which includes:
  - (1) an Exploration Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Completing an Exploration Well.
  - (2) an Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Completing such Appraisal Well.
- (G) Any Party desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in **Article 5.12(A)(1)** by notifying all other Parties. Any such proposal shall include an AFE for such Completion costs.

## **6.2 Development**

- (A) Following appraisal of a Discovery, the Operator shall, as soon as practicable, submit to the Parties a report containing the results of that appraisal and the Operator's recommendation as to whether the Discovery has commercial potential, including an explanation and the reasoning adopted in arriving at such recommendation. If the Operating Committee determines that a Discovery is a Commercial Discovery, the Operator shall, as soon as practicable, deliver to the Parties a Development Plan together with the first annual Work Programme and Budget (or a multi-year Work Programme and Budget pursuant to **Article 6.5**) and provisional Work Programmes and Budgets for the remainder of the development of the Discovery, which shall contain, *inter alia*:
  - (1) details of the proposed work to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a Calendar Year basis;
  - (2) an estimated date for the commencement of production and production forecast on a Calendar Year basis;
  - (3) a delineation of the proposed Exploitation Area; and
  - (4) any other information requested by the Operating Committee.



- (B) After receipt of the Development Plan and prior to any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify and then either approve or reject the Development Plan and the first annual Work Programme and Budget for the development of a Discovery, as submitted by the Operator. If the Operating Committee determines that the Discovery is a Commercial Discovery and approves the corresponding Development Plan, the Operator shall, as soon as possible, deliver any notice of Commercial Discovery required under the Licence and take such other steps as may be required under the Licence to secure approval of the Development Plan by the Minister. In the event the Minister requires changes in the Development Plan, the matter shall be resubmitted to the Operating Committee for further consideration.
- (C) If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programmes and Budgets. The Operator shall, on or before the first (1<sup>st</sup>) Day of October of each Calendar Year submit a Work Programme and Budget for the Exploitation Area for the following Calendar Year. Subject to **Article 6.5**, within thirty (30) Days after such submittal, the Operating Committee shall endeavour to approve such Work Programme and Budget, including any necessary or appropriate revisions to the Work Programme and Budget for the approved Development Plan.

### **6.3 Production**

On or before the first (1<sup>st</sup>) Day of June in each Calendar Year, Operator shall deliver to the Parties, for planning purposes only, an indicative proposed Work Programme and Budget detailing the Joint Operations to be performed in the Exploitation Area for the following period from 1 July to 31 December in that Calendar Year and the whole of the following Calendar Year. The terms of such Work Programme and Budget shall not be binding on the Parties.

On or before the first (1<sup>st</sup>) Day of October of each Calendar Year, Operator shall deliver to the Parties a proposed production Work Programme and Budget detailing the Joint Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year. Within thirty (30) Days of such delivery, the Operating Committee shall endeavour to approve a production Work Programme and Budget, failing which the provisions of **Article 6.1(D)** shall be applied *mutatis mutandis*.

### **6.4 Itemization of Expenditures**

- (A) During the preparation of the proposed Work Programmes and Budgets and Development Plans contemplated in this **Article 6**, Operator shall consult with the Operating Committee or the appropriate subcommittees regarding the contents of such Work Programmes and Budgets and Development Plans.
- (B) Each Work Programme and Budget and Development Plan submitted by the Operator shall contain an itemized estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question and shall, *inter alia*:

- (1) identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question;
  - (2) include such reasonable information regarding the Operator's allocation procedures and estimated manpower costs as the Operating Committee may determine;
  - (3) comply with the requirements of the Licence; and
  - (4) contain an estimate of funds to be expended by Calendar Quarter.
- (C) The Work Programme and Budget shall designate the portion or portions of the Contract Area in which Joint Operations itemized in such Work Programme and Budget are to be conducted and shall specify the kind and extent of such operations in such detail as the Operating Committee may deem suitable.

#### **6.5 Multi-Year Work Programme and Budget**

Any work that cannot be efficiently completed within a single Calendar Year may be proposed in a multi-year Work Programme and Budget. Upon approval by the Operating Committee, such multi-year Work Programme and Budget shall, subject only to revisions approved by the Operating Committee thereafter: (i) remain in effect as between the Parties (and the associated cost estimate shall be a binding pro-rata obligation of each Party) through the completion of the work; and (ii) be reflected in each annual Work Programme and Budget. If the Licence requires that Work Programmes and Budgets be submitted to the Minister for approval, such multi-year Work Programme and Budget shall be submitted to the Minister either in a single request for a multi-year approval or as part of the annual approval process, according to the terms of the Licence and/or the direction of the Minister.

#### **6.6 Contract Awards**

Subject to the Licence and in accordance with the local content policy of the Government of the Republic of Trinidad and Tobago, the Operator shall award each contract for Joint Operations on the following basis (the amounts stated are in thousands of U.S. dollars):

<b>Procedure A</b>	<b>Procedure B</b>	<b>Procedure C</b>
US\$0-US\$ 100,000	US\$ 100,001-US\$ 500,000	> US\$ 500,000

For the purpose of the foregoing category limits, the award of multiple connected contracts arising out of a single aspect of the relevant Work Programme and Budget which according to international petroleum industry customs and usage are usually dealt with in a single contract shall be regarded and construed as one contract and not several different contracts.

Notwithstanding any other provisions of this **Article 6.6**, where a contract does not have a fixed price, the Operator shall provide to the Parties an estimated value of the total expenditure under the proposed contract not less than ten (10) Days prior to proposed award. If any Party issues a written notice to the Operator querying the value of the proposed contract within five (5) Days of receipt of the Operator's estimated value of the total expenditure under the proposed contract, then the Operator shall not award the proposed contract prior to agreement between the relevant Parties on the query raised.

#### Procedure A

- (A) The Operator shall award the contract to the best qualified contractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Operating Committee, except that before entering into a contract with an Affiliate of the Operator, the Operator shall obtain the prior written approval of the Operating Committee; provided that such award shall be made in compliance with the applicable provisions of the Licence concerning procurement. If requested by any Party, the Operator shall circulate to the Parties a copy of the final version of the evaluation and contract(s) awarded.

#### Procedure B

- (B) The Operator shall comply with the applicable provisions of the Licence concerning procurement and shall:
- (1) provide the Parties with a list of the entities whom the Operator proposes to invite to tender for the said contract;
  - (2) add to or, where a Party provides reasonable grounds for doing so, remove from such list any entity that a Party requests to be added or removed within fourteen (14) Days of receipt of such list;
  - (3) complete the tendering process within a reasonable period of time;
  - (4) inform the Parties of the entities to whom the contract has been awarded, provided that before awarding a contract to an Affiliate of Operator with a value which exceeds One Hundred Thousand United States Dollars (US\$100,000), Operator shall obtain the prior written approval of the Operating Committee;
  - (5) circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and
  - (6) upon the request of a Party, provide such Party with a copy of the final version of the contract.

Procedure C

- (C) The Operator shall comply with the applicable provisions of the Licence concerning procurement and shall:
- (1) provide the Parties with a list of the entities whom the Operator proposes to invite to tender for the said contract;
  - (2) add to or, where a Party provides reasonable grounds for doing so, remove from such list any entity whom a Party requests to be added or removed within fourteen (14) Days of receipt of such list;
  - (3) prepare and dispatch the tender documents to the entities on the list as aforesaid and to Non-Operators;
  - (4) after the expiration of the period allowed for tendering, consider and analyze the details of all bids received;
  - (5) prepare and circulate to the Parties a competitive bid analysis, stating the Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;
  - (6) obtain the approval of the Operating Committee to the recommended bid; and
  - (7) upon the request of a Party, provide such Party with a copy of the final version of the contract.

**6.7 Authorization for Expenditure**

- (A) Prior to incurring any commitment or expenditure for the Joint Account, which is estimated to be:
- (1) in excess of Two Hundred and Fifty Thousand United States dollars (U.S. \$250,000.00) in an exploration or appraisal Work Programme and Budget;
  - (2) in excess of Five Hundred Thousand United States dollars (U.S. \$500,000.00) in a development Work Programme and Budget; and
  - (3) in excess of Two Hundred and Fifty United States dollars (U.S. \$250,000.00) in a production Work Programme and Budget.

The Operator shall send to each Non-Operator an AFE as described in **Article 6.7(C)**. Notwithstanding the above, the Operator shall not be obliged to furnish an AFE to the Parties with respect to any Minimum Work Obligations, workovers of wells and general and administrative costs that are listed as separate line items in an approved Work Programme and Budget.

- (B) Prior to making any expenditures or incurring any commitments for work subject to the AFE procedure in **Article 6.7(A)**, the Operator shall obtain the approval of the Operating Committee. If the Operating Committee approves an AFE for the operation within the applicable time period under **Article 5.12(A)**, Operator shall be authorized to conduct the operation under the terms of this Agreement. If the Operating Committee fails to approve an AFE for the operation within the applicable time period, the operation shall be deemed rejected. The Operator shall promptly notify the Parties if the operation has been rejected, and, subject to **Article 7**, any Party may thereafter propose to conduct the operation as an Exclusive Operation under **Article 7**. When an operation is rejected under this **Article 6.7(B)** or an operation is approved for differing amounts than those provided for in the applicable line items of the approved Work Programme and Budget, the Work Programme and Budget shall be deemed to be revised accordingly.
- (C) Each AFE proposed by the Operator shall:
- (1) identify the operation by specific reference to the applicable line items in the Work Programme and Budget;
  - (2) describe the work in detail;
  - (3) contain the Operator's best estimate of the total funds required to carry out such work;
  - (4) outline the proposed work schedule;
  - (5) provide a timetable of expenditures, if known; and
  - (6) be accompanied by such other supporting information as is necessary for an informed decision.

**6.8 Over expenditures of Work Programmes and Budgets**

- (A) For expenditures on any line item of an approved Work Programme and Budget, the Operator shall be entitled to incur without further approval of the Operating Committee an over expenditure for such line item up to ten percent (10%) of the authorized amount for such line item; provided that the cumulative total of all over expenditures for a Calendar Year shall not exceed five percent (5%) of the total annual Work Programme and Budget in question.
- (B) At such time as the Operator reasonably anticipates the limits of **Article 6.8(A)** will be exceeded, the Operator shall furnish to the Operating Committee a reasonably detailed estimate for the Operating Committee's approval. The Work Programme and Budget shall be revised accordingly and the over expenditures permitted in **Article 6.8(A)** shall be based on the revised Work Programme and Budget. The Operator shall promptly give notice of the amounts of over expenditures when actually incurred.
- (C) The restrictions contained in this **Article 6** shall be without prejudice to Operator's rights to make expenditures for Urgent Operational Matters and measures set out in **Article 13.5**

without the Operating Committee's approval provided that the Operator seeks ratification of such expenditure by the Operating Committee at the soonest possible time thereafter.

**ARTICLE 7**  
**OPERATIONS BY LESS THAN ALL PARTIES**

**7.1**    *Limitation on Applicability*

- (A)    No operations may be conducted in furtherance of the Licence and/or this Agreement except as Joint Operations under **Article 5** or as Exclusive Operations under this **Article 7**. No Exclusive Operation shall be conducted (other than the tie-in of Exclusive Operation facilities with existing production facilities pursuant to **Article 7.10**) which conflicts with a previously approved Joint Operation or with a previously approved Exclusive Operation.
- (B)    Operations which are required to fulfil the Minimum Work Obligations must be proposed and conducted as Joint Operations under **Article 5** and may not be proposed or conducted as Exclusive Operations under this **Article 7**.
- (C)    No Party may propose or conduct an Exclusive Operation under this **Article 7** unless and until such Party has properly exercised its right to propose an Exclusive Operation pursuant to **Article 5.13**, or is entitled to conduct an Exclusive Operation pursuant to **Article 10**.
- (D)    Only the following operations may be proposed and conducted as Exclusive Operations, subject to the terms of this **Article 7**:
  - (1)    drilling and/or Testing of Exploration Wells and Appraisal Wells;
  - (2)    Completion of Exploration Wells and Appraisal Wells not then Completed as productive of Petroleum;
  - (3)    Deepening, Sidetracking, Plugging Back and/or Recompletion of Exploration Wells and Appraisal Wells;
  - (4)    development of a Commercial Discovery;
  - (5)    Construction and/or installation of processing, treatment, compression, gathering, storage, handling, transportation, and other facilities in connection with Production Operations in an Exploitation Area within the scope of this Agreement.
  - (6)    acquisition of G & G Data;
  - (7)    any operations specifically authorized to be undertaken as an Exclusive Operation under **Article 10**.
  - (8)    a Petroleum operation contemplated under **Article 3.3(B)(1) or (2)**.

No other type of operation may be proposed or conducted as an Exclusive Operation.

- (E) Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Reworking of a well originally drilled to fulfil the Minimum Work Obligations, or for the development of an Exploitation Area, no Exclusive Operations may be proposed or conducted until the Minimum Work Obligations are fulfilled.

## **7.2 Procedure to Propose Exclusive Operations**

- (A) Subject to **Article 7.1**, if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Non-Consenting Parties who have relinquished their rights to participate in such operation pursuant to **Article 7.4(B)** or **Article 7.4(F)** and have no option to reinstate such rights under **Article 7.4(C)**. Such notice shall specify that such operation is proposed as an Exclusive Operation and include the work to be performed, the location, the objectives, and estimated cost of such operation.
- (B) Any Party entitled to receive such notice shall have the right to participate in the proposed operation.
  - (1) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework related to Urgent Operational Matters, any such Party wishing to exercise such right must so notify the proposing Party and the Operator within twenty-four (24) hours after receipt of the notice proposing the Exclusive Operation.
  - (2) For proposals to develop a Discovery, any Party wishing to exercise such right must so notify the Operator and the Party proposing to develop within sixty (60) Days after receipt of the notice proposing the Exclusive Operation.
  - (3) For all other proposals, any such Party wishing to exercise such right must so notify the proposing Party and the Operator within ten (10) Days after receipt of the notice proposing the Exclusive Operation.
- (C) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.
- (D) If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. The Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.
- (E) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:
  - (1) The Party proposing the Exclusive Operation, together with any other Consenting Parties, shall have the right exercisable for the applicable notice period set out in

**Article 7.2(B)**, to instruct the Operator (subject to **Article 7.11(F)**) to conduct the Exclusive Operation.

- (2) If the Consenting Parties proceed with the Exclusive Operation, each Consenting Party shall bear a Participating Interest in such Exclusive Operation, the numerator of which is such Consenting Party's Participating Interest as stated in **Article 3.2(A)** and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in **Article 3.2(A)**, or as the Consenting Parties may otherwise agree.
- (3) If such Exclusive Operation has not been commenced within One Hundred and Twenty (120) Days (excluding any extension specifically agreed by all Parties or allowed by the force majeure provisions of **Article 16**) after the date of the instruction given to Operator under **Article 7.2(E)(1)**, the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, notice proposing such operation must be resubmitted to the Parties in accordance with **Article 5**, as if no proposal to conduct an Exclusive Operation had been previously made.

### **7.3 Responsibility for Exclusive Operations**

- (A) The Consenting Parties shall bear in accordance with the Participating Interests agreed under **Article 7.2(E)** the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any and all costs and liabilities incurred incident to such Exclusive Operation (including Consequential Loss and Environmental Loss) and shall keep the Contract Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.
- (B) Notwithstanding **Article 7.3(A)**, each Party shall continue to bear its Participating Interest share of the cost and liability incident to the operations in which it participated, including plugging and abandoning and restoring the surface location, but only to the extent those costs were not increased by the Exclusive Operation.

### **7.4 Consequences of Exclusive Operations**

- (A) With regard to any Exclusive Operation, for so long as a Non-Consenting Party has the option under **Article 7.4(C)** to reinstate the rights it relinquished under **Article 7.4(B)**, such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties to all data and other information relating to such Exclusive Operation, other than data obtained in an Exclusive Operation for the purpose of acquiring G & G Data. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in **Article 3.2(A)** of the cost incurred in



obtaining such G & G Data.

- (B) Subject to **Article 7.4(C)**, **Article 7.6(E)** and **Article 7.8**, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in any Exclusive Operation:
- (1) all of each such Non-Consenting Party's right to participate in further operations in the well or Deepened or Sidetracked portion of a well in which the Exclusive Operation was conducted and on any Discovery made or appraised in the course of such Exclusive Operation; and
  - (2) all of each such Non-Consenting Party's right pursuant to the Licence to take and dispose of Petroleum produced and saved:
    - (a) from the well or Deepened or Sidetracked portion of a well in which such Exclusive Operation was conducted; and
    - (b) from any wells drilled to appraise or develop a Discovery made or appraised in the course of such Exclusive Operation.
- (C) A Non-Consenting Party shall have only the following options to reinstate the rights it relinquished pursuant to **Article 7.4(B)**:
- (1) If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal programme. For thirty (30) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of such appraisal programme, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to **Article 7.4(B)** and to participate in such appraisal programme. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal programme, and to pay such amounts as set out in **Articles 7.5(A) and 7.5(B)**.
  - (2) If the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the Minister under the Licence. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Licence, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to **Article 7.4(B)** and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, and to pay the

amounts as set out in **Articles 7.5(A) and 7.5(B)**.

- (3) If the Consenting Parties decide to Deepen, Complete, Sidetrack, Plug Back or Recomplete an Exclusive Well and such further operation was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non-Consenting Parties the approved AFE for such further operation. For thirty (30) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of such AFE, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to **Article 7.4(B)** and to participate in such operation. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such further operation, and to pay the amounts as set out in **Articles 7.5(A) and 7.5(B)**.

A Non-Consenting Party shall not be entitled to reinstate its rights in any other type of operation.

- (D) If a Non-Consenting Party does not properly and in a timely manner exercise its option under **Article 7.4(C)**, including paying all amounts due in accordance with **Articles 7.5(A) and 7.5(B)**, such Non-Consenting Party shall have forfeited the options as set out in **Article 7.4(C)** and the right to participate in the proposed programme, unless such programme plan or operation is materially modified or expanded (in which case a new notice and option shall be given to such Non-Consenting Party under **Article 7.4(C)**).
- (E) A Non-Consenting Party exercising its option under **Article 7.4(C)** shall notify the other Parties that it agrees to bear its share of the liability and expense of such further operation and to reimburse the amounts set out in **Articles 7.5(A) and 7.5(B)** that such Non-Consenting Party had not previously paid. Such Non-Consenting Party shall in no way be deemed to be entitled to any amounts paid pursuant to **Articles 7.5(A) and 7.5(B)** incident to such Exclusive Operations. The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in **Article 3.2(A)**. The Consenting Parties shall contribute to the Participating Interest of the Non-Consenting Party in proportion to the excess Participating Interest that each received under **Article 7.2(E)**. If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to **Article 5**.
- (F) If after the expiry of the period in which a Non-Consenting Party may exercise its option to participate in a Development Plan the Consenting Parties desire to proceed, the Operator shall give notice to the Minister under the appropriate provision of the Licence requesting a meeting to advise the Minister that the Consenting Parties consider the Discovery to be a Commercial Discovery. Following such meeting, such the Operator for such development shall apply for an Exploitation Area (if applicable in the Licence). Unless the Development Plan is materially modified or expanded prior to the commencement of operations under such plan (in which case a new notice and option shall be given to the Non-Consenting Parties under **Article 7.4(C)**), each Non-Consenting Party to such Development Plan shall:
- (1) if the Licence so allows, elect not to apply for an Exploitation Area covering such development and forfeit all interest in such Exploitation Area, or

- (2) if the Licence does not so allow, be deemed to have:
  - (a) elected not to apply for an Exploitation Area covering such development;
  - (b) forfeited all economic interest in such Exploitation Area; and
  - (c) assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

In either case such Non-Consenting Party shall be deemed to have withdrawn from this Agreement to the extent it relates to such Exploitation Area, even if the Development Plan is modified or expanded subsequent to the commencement of operations under such Development Plan and shall be further deemed to have forfeited any right to participate in the construction and ownership of facilities outside such Exploitation Area designed solely for the use of such Exploitation Area.

#### **7.5 Premium to Participate in Exclusive Operations**

- (A) Each such Non-Consenting Party shall within thirty (30) Days of the exercise of its option under **Article 7.4(C)**, pay in immediately available funds to the Consenting Parties in proportion to their respective Participating Interests in such Exclusive Operations a lump sum amount payable in the currency (at the prevailing rate on the Day of payment) designated by such Consenting Parties. Such lump sum amount shall be equal to such Non-Consenting Party's Participating Interest share of all liabilities and expenses that were incurred in every Exclusive Operation relating to the Discovery (or Exclusive Well, as the case may be) in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to **Article 7.4(B)** and that were not previously paid by such Non-Consenting Party.
- (B) In addition to the payment required under **Article 7.5(A)**, immediately following the exercise of its option under **Article 7.4(C)** each such Non-Consenting Party shall be liable to reimburse the Consenting Parties who took the risk of such Exclusive Operations (in proportion to their respective Participating Interests) an amount equal to the total of:
  - (1) Two Hundred percent (200%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses that were incurred in any Exclusive Operation relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party; plus
  - (2) Four Hundred percent (400%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses that were incurred in any Exclusive Operation relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Re-completing and Reworking of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to **Article 7.4(B)**, and that were not previously paid by such Non-Consenting Party; plus

- (3) Four Hundred percent (400%) of the Non-Consenting Party's Participating Interest share of all liabilities and expenses that were incurred in any Exclusive Operation relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to **Article 7.4(B)**, and that were not previously paid by such Non-Consenting Party.
- (C) Each such Non-Consenting Party who is liable for the amounts set out in **Article 7.5(B)** shall, within thirty (30) Days of the exercise of its option under **Article 7.4(C)**, pay such amounts to such Consenting Parties, in the currency (at the prevailing rate on the Day of payment) designated by such Consenting Parties.
- (e) The Non-Consenting Party exercising its option under **Article 7.4(C)** shall be entitled to all Entitlements in proportion to its Participating Interest in the relevant Exclusive Operation on and from such date of payment.

#### **7.6 Order of Preference of Operations**

- (A) Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such Party shall have the right exercisable for five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of the proposal for the Exclusive Operation, to deliver such Party's alternative proposal to all Parties entitled to participate in the proposed operation. Such alternative proposal shall contain the information required under **Article 7.2(A)**.
- (B) Each Party receiving such proposals shall elect by delivery of notice to the Operator and to the proposing Parties within the appropriate response period set out in **Article 7.2(B)** to participate in one of the competing proposals. Any Party not notifying the Operator and the proposing Parties within the response period shall be deemed to have voted against the proposals.
- (C) The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. The Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters).
- (D) Each Party shall then have two (2) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of such notice to elect by delivery of notice to the Operator and the proposing Parties whether such Party will participate in such Exclusive Operation, or will relinquish its interest pursuant to **Article 7.4(B)**. Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

- (E) Notwithstanding the provisions of **Article 7.4(B)**, if for reasons other than the encountering of granite or other practically impenetrable substance or any other condition in the hole rendering further operations impracticable, a well drilled as an Exclusive Operation fails to reach the deepest objective Zone described in the notice proposing such well, the Operator shall give notice of such failure to each Non-Consenting Party who submitted or voted for an alternative proposal under this **Article 7.6** to drill such well to a shallower Zone than the deepest objective Zone proposed in the notice under which such well was drilled. Each such Non-Consenting Party shall have the option exercisable for forty-eight (48) hours from receipt of such notice to participate for its Participating Interest share in the initial proposed Completion of such well. Each such Non-Consenting Party may exercise such option by notifying the Operator that it wishes to participate in such Completion and by paying its Participating Interest share of the cost of drilling such well to its deepest depth drilled in the Zone in which it is Completed. All liabilities and expenses for drilling and Testing the Exclusive Well below that depth shall be for the sole account of the Consenting Parties. If any such Non-Consenting Party does not properly elect to participate in the first Completion proposed for such well, the relinquishment provisions of **Article 7.4(B)** shall continue to apply to such Non-Consenting Party's interest.

#### **7.7 Stand-By Costs**

- (A) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under **Article 7.6** to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.
- (B) If a further operation related to Urgent Operational Matters is proposed while the drilling rig to be utilized is on location, any Party may request and receive up to five (5) additional Days after expiration of the applicable response period specified in **Article 7.2(B)(1)** within which to respond by notifying the Operator that such Party agrees to bear all stand by costs and other costs incurred during such extended response period. The Operator may require such Party to pay the estimated stand by costs in advance as a condition to extending the response period. If more than one Party requests such additional time to respond to the notice, stand by costs shall be allocated between such Parties on a Day-to-Day basis in proportion to their Participating Interests.

#### **7.8 Special Considerations Regarding Deepening and Sidetracking**

- (A) An Exclusive Well shall not be Deepened or Sidetracked without first affording the Non-Consenting Parties in accordance with this **Article 7.8** the opportunity to participate in such operation.

- (B) In the event any Consenting Party desires to Deepen or Sidetrack an Exclusive Well into a new Zone, such Party shall initiate the procedure contemplated by **Article 7.2**. If a Deepening or Sidetracking operation is approved pursuant to such provisions, and if any Non-Consenting Party to the Exclusive Well elects to participate in such Deepening or Sidetracking operation, such Non-Consenting Party shall not owe amounts pursuant to **Article 7.5(B)**, and such Non-Consenting Party's payment pursuant to **Article 7.5(A)** shall be such Non-Consenting Party's Participating Interest share of the liabilities and expenses incurred in connection with drilling the Exclusive Well from the surface to the depth previously drilled which such Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate in such Exclusive Well; provided, however, all liabilities and expenses for Testing and Completing or attempting Completion of the well incurred by Consenting Parties prior to the commencement of actual operations to Deepen or Sidetrack beyond the depth previously drilled shall be for the sole account of the Consenting Parties.
- (C) In the event any Consenting Party desires to Deepen or Sidetrack an Exclusive Well within an existing Zone, such Party shall initiate the procedure contemplated by **Article 7.2**. If a Deepening or Sidetracking operation is approved pursuant to such provisions, and if any Non-Consenting Party to the Exclusive Well elects to participate in such Deepening or Sidetracking operation, such Non-Consenting Party shall owe and pay the amounts pursuant to **Articles 7.5(A)** and **7.5(B)**, and such Non-Consenting Party's payment pursuant to **Articles 7.5(A)** and **7.5(B)** shall include such Non-Consenting Party's Participating Interest share of the liabilities and expenses incurred in connection with drilling the Exclusive Well from the surface to the depth previously drilled which such Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate in such Exclusive Well; provided, however, all liabilities and expenses for Testing and Completing or attempting Completion of the well incurred by Consenting Parties prior to the commencement of actual operations to Deepen or Sidetrack beyond the depth previously drilled shall be for the sole account of the Consenting Parties.

### **7.9 Use of Property**

- (A) The Parties participating in any Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Reworking of any well drilled under this Agreement shall be permitted to use (free of cost) all casing, tubing and other equipment in the well that is not needed for operations by the owners of the wellbore, but the ownership of all such equipment shall remain unchanged. On abandonment of a well in which operations with differing participation have been conducted, the Parties abandoning the well shall account for all equipment in the well to the Parties owning such equipment by tendering to them their respective Participating Interest shares of the value of such equipment less the cost of salvage.

#### **[7.9(B) – OPTIONAL CLAUSE WHERE PLATFORM IS USED]**

- (B) Any Party (whether owning interests in the platform or not) shall be permitted to use spare slots in a platform constructed pursuant to this Agreement for purposes of drilling Exploration Wells and/or Appraisal Wells and running tests in the Contract Area. No Party except an owner of a platform may drill Development Wells or run production from a well (except production resulting from initial well tests) from the platform without the prior written consent of all platform owners.

If all owners of the platform participate in the drilling of a well, then no fee shall be payable under this **Article 7.9(B)**. Otherwise, each time a well is drilled from a platform, the Consenting Parties in the well shall pay to the owners of the platform until all wells drilled by such Parties have been plugged and abandoned a monthly fee equal to (1) that portion of the total cost of the platform (including costs of material, fabrication, transportation and installation), divided by the number of months of useful life established for the platform under the tax law of the host country, that one well slot bears to the total number of slots on the platform plus (2) that proportionate part of the monthly cost of operating, maintaining and financing the platform that the well drilled under this **Article 7.9(B)** bears to the total number of wells served by such platform. Consenting Parties who have paid to drill a well from a platform under this **Article 7.9(B)** shall be entitled to Deepen or Sidetrack that well for no additional charge if done prior to moving the drilling rig off of location.

- (C) Spare capacity in equipment that is constructed pursuant to this Agreement and used for processing or transporting Crude Oil and Natural Gas after it has passed through primary separators and dehydrators (including treatment facilities, gas processing plants and pipelines) shall be available for use by any Party for Petroleum production from the Contract Area on the terms set forth below. All Parties desiring to use such equipment shall nominate capacity in such equipment on a monthly basis by notice to the Operator at least ten (10) Days prior to the beginning of each month. The Operator may nominate capacity for the owners of the equipment if they so elect. If at any time the capacity nominated exceeds the total capacity of the equipment, the capacity of the equipment shall be allocated in the following priority:

(1) first, to the owners of the equipment up to their respective Participating Interest shares of total capacity,

(2) second, to owners of the equipment desiring to use capacity in excess of their Participating Interest shares, in proportion to the Participating Interest of each such Party and

(3) third, to Parties not owning interests in the equipment, in proportion to their Participating Interests in the Agreement. The Owners of the equipment shall be entitled to use up to their Participating Interest share of total capacity without payment of a fee under this **Article 7.9(C)**. Otherwise, each Party using equipment pursuant to this **Article 7.9(C)** shall pay to the owners of the equipment monthly throughout the period of use an arm's-length fee based upon third party charges for similar services in the vicinity of the Contract Area. If no arm's-length rates for such services are available, then the Party desiring to use equipment pursuant to this **Article 7.9(C)** shall pay to the owners of the equipment a monthly fee equal to

(1) that portion of the total cost of the equipment, divided by the number of months of useful life established for such equipment under the tax law of the host country, that the capacity made available to such Party on a fee basis under this **Article 7.9(C)** bears to the total capacity of the equipment plus;

(2) that portion of the monthly cost of maintaining, operating and financing the equipment that the capacity made available to such Party on a fee basis under this **Article 7.9(C)** bears to the total capacity of the equipment.

**[7.9(D) – ALTERNATIVE NO. 1 (WHERE PLATFORM IS USED)]**

Payment for the use of the Platform under **Article 7.9(B)** or the use of equipment under Article 7.9(C) shall not result in an acquisition of any additional interest in the equipment or platform by the paying Parties. However, such payments shall be included in the costs which the paying Parties are entitled to recoup under **Article 7.5**.

**[7.9(D) – ALTERNATIVE NO. 2 (WHERE PLATFORM IS NOT USED)]**

Payment for the use of the equipment under **Article 7.9(B)** shall not result in an acquisition of any additional interest in the equipment or platform by the paying Parties. However, such payments shall be included in the costs which the paying Parties are entitled to recoup under **Article 7.5**.

**[7.9 (E)- ALTERNATIVE NO.1 (WHERE PLATFORM IS USED)]**

Parties electing to use spare capacity on platforms or in equipment pursuant to **Article 7.9(B)** or **Article 7.9(C)** shall indemnify the owners of the equipment or platform against any and all costs and liabilities incurred as a result of such use (including any Consequential Loss and Environmental Loss) but excluding costs and liabilities for which the Operator is solely responsible under **Article 4.6**.

**[7.9 (E)- ALTERNATIVE NO.2 (WHERE PLATFORM IS NOT USED)]**

Parties electing to use spare capacity in equipment pursuant to **Article 7.9(B)** shall indemnify the owners of the equipment or platform against any and all costs and liabilities incurred as a result of such use (including any Consequential Loss and Environmental Loss) but excluding costs and liabilities for which the Operator is solely responsible under **Article 4.6**.

**7.10 Lost Production During Tie-In of Exclusive Operation Facilities**

If, during the tie-in of Exclusive Operation facilities with the existing production facilities of another operation, the production of Petroleum from such other pre-existing operations is temporarily lessened as a result, then the Consenting Parties shall compensate the parties to such existing operation for such loss of production in the following manner. The Operator shall determine the amount by which each Day's production during the tie-in of Exclusive Operation facilities falls below the previous month's average daily production from the existing production facilities of such operation. The so-determined amount of lost production shall be recovered by all Parties who experienced such loss in proportion to their respective Participating Interest. Upon completion of the tie-in, such lost production shall be recovered in full by the Operator deducting up to one hundred percent (100%) of the production from the Exclusive Operation, prior to the Consenting Parties being entitled to receive any such production.

**7.11 Conduct of Exclusive Operations**

- (A) Each Exclusive Operation shall be carried out by the Consenting Parties acting as the Operating Committee, subject to the provisions of this Agreement applied *mutatis mutandis* to such Exclusive Operation and subject to the terms and conditions of the Licence.



- (B) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of the Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.
- (C) The Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such Exclusive Operations.
- (D) The Operator, if it is conducting an Exclusive Operation for the Consenting Parties, regardless of whether it is participating in that Exclusive Operation, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to the Operator in respect of any Exclusive Operations conducted by it.
- (E) Should the submission of a Development Plan be approved in accordance with Article 6.2, or should any Party propose (but not yet have the right to commence) a development in accordance with this Article 7 where neither the Development Plan nor the development proposal call for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right (subject to the following sentence) to future reimbursement pursuant to Article 7.5. If such an Appraisal Well is produced, any Consenting Party shall own and have the right to take in kind and separately dispose of all of the Non-Consenting Party's Entitlement from such Appraisal Well until the value received in sales to purchasers in arm-length transactions equals one hundred percent (100%) of such Non-Consenting Party's Participating Interest shares of all liabilities and expenses that were incurred in any Exclusive Operations relating to the Appraisal Well. Following the completion of drilling such Appraisal Well as an Exclusive Operation, the Parties may proceed with the Development Plan approved pursuant to Article 5.9, or (if applicable) the Parties may complete the procedures to propose an Exclusive Operation to develop a Discovery. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party or Parties proposing to develop the Discovery decide(s) not to do so, then each Non-Consenting Party who voted in favour of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.
- (F) If the Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then the Operator may resign, but in any event shall resign on the unanimous request of the Consenting Parties, as Operator for the Exploitation Area for such Discovery. If the Operator so resigns the Consenting Parties shall select a Consenting Party to serve as the Operator for such Exclusive Operation only. Any such resignation of the Operator and appointment of a Consenting Party to serve as the Operator for such Exclusive Operation shall be subject to the Parties having first obtained any necessary Government approvals.

### **7.12 Licence Financial Obligations**

Except as otherwise expressly provided in this Agreement, the financial obligations payable by the Parties under Clause 8 of the Licence (“**Licence Financial Obligations**”) shall be charged to the Joint Account if there is no Petroleum production from an Exclusive Operation at the time they are incurred. If there is Petroleum production from one or more Exclusive Operations, then any Licence Financial Obligations which become payable under the Licence shall be borne by each Exploitation Area that produced Petroleum during the ninety (90) Day period preceding the date on which liability for the Licence Financial Obligations is incurred, in the proportion that its cumulative production of Petroleum through that date bears to the total cumulative production of Petroleum through that date from all Exploitation Areas liable for the Licence Financial Obligations.

The Parties in an Exploitation Area shall bear the Licence Financial Obligations allocated to that Exploitation Area in accordance with their Participating Interests in that Exploitation Area as of the date on which liability for the Licence Financial Obligations was incurred. Only types, grades and qualities of Petroleum used for the determination of the Licence Financial Obligations under the Licence shall be utilized in the calculations in this **Article 7.12**.

## **ARTICLE 8 DEFAULT**

### **8.1 Default and Notice**

(A) Any Party that fails to:

- (1) pay when due its share of Joint Account expenses (including cash advances and interest); or
- (2) obtain and maintain any Security required of such Party under the Licence;

shall be in default under this Agreement (a “**Defaulting Party**”). The Operator, or any non-defaulting Party in case Operator is the Defaulting Party, shall promptly give notice of such default (the “**Default Notice**”) to the Defaulting Party and each of the non-defaulting Parties.

(B) For the purposes of this **Article 8**, “**Default Period**” means the period beginning ten (10) Business Days from the date that the Default Notice is received by the Defaulting Party in accordance with this **Article 8.1** and ending when all the Defaulting Party’s defaults pursuant to this **Article 8.1** have been remedied in full.

### **8.2 Operating Committee Meetings and Data**

(A) Notwithstanding any other provision of this Agreement, the Defaulting Party shall have no right, during the Default Period, to:

- (1) call or attend Operating Committee or subcommittee meetings;
  - (2) vote on any matter coming before the Operating Committee or any subcommittee;
  - (3) access any data or information relating to any operations under this Agreement;
  - (4) consent to or reject data trades between the Parties and third parties, nor access any data received in such data trades;
  - (5) Transfer (as defined in **Article 12.1**) all or part of its Participating Interest, except to non-defaulting Parties in accordance with this **Article 8**;
  - (6) consent to or reject any Transfer (as defined in **Article 12.1**) or otherwise exercise any other rights in respect of Transfer under this **Article 8** or under **Article 12**;
  - (7) receive its Entitlement in accordance with **Article 8.4**;
  - (8) withdraw from this Agreement under **Article 13**; or
  - (9) take assignment of any portion of another Party's Participating Interest in the event such other Party is either in default under or is withdrawing from this Agreement and the Licence.
- (B) Notwithstanding any other provisions in this Agreement, during the Default Period:
- (1) unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party shall be equal to the ratio such non-defaulting Party's Participating Interest bears to the total Participating Interests of the non-defaulting Parties;
  - (2) any matters requiring a unanimous vote or approval of the Parties shall not require the vote or approval of the Defaulting Party;
  - (3) the Defaulting Party shall be deemed to have elected not to participate in any operations that are voted upon during the Default Period, to the extent such an election would be permitted by **Article 5.13** and **Article 7**; and
  - (4) the Defaulting Party shall be deemed to have approved, and shall join with the non-defaulting Parties in taking, any other actions voted on during the Default Period.

### **8.3 Allocation of Defaulted Accounts**

- (A) The Party providing the Default Notice pursuant to **Article 8.1** shall include in the Default Notice to each non-defaulting Party a statement of:

- (i) the sum of money that the non-defaulting Party shall pay as its portion of the Amount in Default, and
- (ii) if the Defaulting Party has failed to obtain or maintain any Security required of such Party in order to maintain the Licence in full force and effect, the type and amount of the Security the non-defaulting Parties shall post or the funds they shall pay in order to allow the Operator, or (if the Operator is in default) the notifying Party to post and maintain such Security.

Unless otherwise agreed, the obligations for which the Defaulting Party is in default shall be satisfied by the non-defaulting Parties within twenty (20) Business Days after receipt of the Default Notice in proportion to the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties. For the purposes of this **Article 8**:

**"Amount in Default"** means the Defaulting Party's share of Joint Account expenses which the Defaulting Party has failed to pay when due pursuant to the terms of this Agreement (but excluding any interest owed on such amount); and

**"Total Amount in Default"** means the aggregate of the following amounts:

- (i) the Amount in Default, plus
  - (ii) third-party costs of obtaining and maintaining any Security incurred by the non-defaulting Parties or the funds paid by such Parties in order to allow the Operator to obtain or maintain Security, in accordance with **Article 8.3(A)(ii)**; plus
  - (iii) any interest at the Agreed Interest Rate accrued on the amount under (i) from the date this amount is due by the Defaulting Party until paid in full by the Defaulting Party and on the amount under (ii) from the date this amount is incurred by the non-defaulting Parties until paid in full by the Defaulting Party.
- (B) The Total Amount in Default shall constitute a debt due and owing by the Defaulting Party to the non-defaulting Parties in proportion to such amounts paid by the non-defaulting Parties. Notwithstanding that the Total Amount in Default includes any interest owed on such amounts due by the Defaulting Party, the non-defaulting Parties shall not be required to pay such interest.
- (C) A Defaulting Party may remedy its default by paying to the Operator the Total Amount in Default; at any time prior to the commencement of the Default Period, and upon receipt of such payment the Operator or any non-defaulting Party in case operator is the Defaulting Party shall promptly notify each non-defaulting Party by facsimile or telephone and by electronic mail and the non-defaulting Parties shall be relieved of their obligations under **Article 8.3(A)**. Otherwise, each non-defaulting Party shall satisfy its obligations under **Article 8.3(A)** within twenty (20) Business Days following its receipt of the Default Notice. If any non-defaulting Party fails to timely satisfy such obligations, such Party shall thereupon be a Defaulting Party subject to the provisions of this Article 8. The

non-defaulting Parties shall be entitled to receive their respective shares of the Total Amount in Default payable by such Defaulting Party pursuant to this **Article 8**.

- (D) If Operator is a Defaulting Party, then all payments otherwise payable to the Operator for Joint Account costs pursuant to this Agreement shall be made to the notifying Party instead until the default is cured or a successor to the Operator is appointed. The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims due and payable from the Joint Account of which it has notice, to the extent the Operator would be authorised to make such payments under the terms of this Agreement. The notifying Party shall be entitled to bill or Cash Call the other Parties in accordance with the Accounting Procedure for proper third-party charges that become due and payable during such period to the extent sufficient funds are not available. When the Operator has cured its default or a successor Operator is appointed, the notifying Party shall turn over all remaining funds in the account to the Operator and shall provide the Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Party shall not be liable for damages, losses, costs, expenses or liabilities arising as a result of its actions under this **Article 8.3(D)**, except to the extent the Operator would be liable under **Article 4.6**.

#### **8.4 Remedies**

- (A) During the Default Period, the Defaulting Party shall not have a right to its Entitlement, which shall vest in and be the property of the non-defaulting Parties. The Operator (or the notifying Party if the Operator is a Defaulting Party) shall be authorised to sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the non-defaulting Parties in proportion to the amounts they are owed by the Defaulting Party as a part of the Total Amount in Default (in payment of first the interest and then the principal) and apply such net proceeds toward the establishment of the Reserve Fund (as defined in **Article 8.4(C)**), if applicable, until all such Total Amount in Default is recovered and such Reserve Fund is established. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties. When making sales under this **Article 8.4(A)**, the non-defaulting Parties shall have no obligation to share any existing market or to obtain a price equal to the price at which their own production is sold.
- (B) If the Operator disposes of any Joint Property or if any other credit or adjustment is made to the Joint Account during the Default Period, the Operator (or the notifying Party if the Operator is a Defaulting Party) shall be entitled to apply the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit or adjustment against the Total Amount in Default (against first the interest and then the principal) and toward the establishment of the Reserve Fund as defined in **Article 8.4(C)**, if applicable. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties.

- (C) The non-defaulting Parties shall be entitled to apply the net proceeds received under **Articles 8.4(A) and 8.4(B)** toward the creation of a reserve fund (the **“Reserve Fund”**) in an amount equal to the Defaulting Party’s Participating Interest share of: (i) the estimated cost to abandon any wells and other property in which the Defaulting Party participated; (ii) the estimated cost of severance benefits for local employees upon cessation of operations; and (iii) any other identifiable costs that the non-defaulting Parties anticipate will be incurred in connection with the cessation of operations. Upon the conclusion of the Default Period, all amounts held in the Reserve Fund shall be returned to the Party previously in Default.
- (D) Without prejudice to any other rights available to each non-defaulting Party to recover its portion of the Total Amount in Default if a Defaulting Party fails to remedy all its defaults in accordance with this Article 8, each non-defaulting Party may choose to recover its portion of the Total Amount in Default by invoking the remedies provided in paragraphs (1), (2), (3) or (4) below. For the avoidance of doubt, (i) no Defaulting Party can invoke this Article 8.4(D) and (ii) the availability of the election under paragraph (2) or (3) or (4) to a non-defaulting Party shall not be construed as an admission by, or otherwise used as evidence in any judicial or arbitration proceedings against, such non-defaulting Party that it is not, or that it should not be, entitled to rely on the remedies available to it under paragraph (1) to the fullest extent available to it.

(1) Forfeiture

If a Defaulting Party fails to fully remedy all its defaults by the one hundred and eightieth (180<sup>th</sup>) Business Day following the date the Default Notice is received by the Defaulting Party, then, each non-defaulting Party shall have, the option, exercisable at any time thereafter during the Default Period, to require that the Defaulting Party completely withdraw from this Agreement and the Licence. Such option shall be exercised by written notice to the Defaulting Party and each non-defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Article 13.6, effective on the date of the non-defaulting Party’s or Parties’ notice, its Participating Interest to the non-defaulting Parties. Notwithstanding the terms of Article 13, in the absence of an agreement among the non-defaulting Parties to the contrary, any transfer to the non-defaulting Parties following a withdrawal pursuant to this Article 8.4(D)(1) shall be in proportion to the Participating Interests of the non-defaulting Parties.

(2) Buy Out of Defaulting Party’s Participating Interest

In the event that a Party becomes a Defaulting Party and fails to fully remedy all its defaults by the one hundred and eightieth (180<sup>th</sup>) Business Day following the date of the Default Notice, that Party grants to the other Parties hereunder the exclusive right and option (the **“Buy-Out Option”**) to acquire, on a pro rata basis in proportion to the non-defaulting Parties’ respective Participating Interests and at their sole discretion, all of such Defaulting Party’s Participating Interest for a value (the **“Appraised Value”**) as determined in this **Article 8.4(D)(2)**. If a Defaulting Party fails to remedy its default by the fortieth (40<sup>th</sup>) Business Day following the date of the Default Notice is received by the Defaulting Parties, then any non-defaulting Party may, but shall not be obligated to, exercise such Buy-Out Option by notice to the Defaulting Party and each

non-defaulting Party (the “**Option Notice**”). If more than one non-defaulting Party elects to exercise the Buy-Out Option, each electing non-defaulting Party (collectively, the “**Acquiring Parties**”) shall acquire a proportion of the Participating Interest of the Defaulting Party equal to the ratio of its own Participating Interest to the total Participating Interests of all Acquiring Parties and pay such proportion of the Appraised Value (as defined below), unless they otherwise agree. The Defaulting Party shall be obligated to transfer, pursuant to **Article 13.6**, effective on the date of the Option Notice, its Participating Interest to the Acquiring Parties in consideration of the payment to the Defaulting Party of the Appraised Value. In the Option Notice the Acquiring Parties shall specify a value for the Defaulting Party’s Participating Interest. Within five (5) Business Days of the Option Notice, the Defaulting Party shall (i) notify the Acquiring Parties that it accepts the value specified in the Option Notice (in which case such value is the “**Appraised Value**”); or (ii) refer the Dispute to an independent expert pursuant to **Article 18.3** for determination of the value of its Participating Interest (in which case the value determined by such expert shall be deemed the “**Appraised Value**”). If the Defaulting Party fails to so notify the Acquiring Parties, the Defaulting Party shall be deemed to have accepted the Acquiring Parties’ value as the Appraised Value.

If the valuation of the Defaulting Party’s Participating Interest is referred to an expert, such expert shall determine the Appraised Value which shall be equal to the fair market value of the Defaulting Party’s Participating Interest, less the following: (i) the Total Amount in Default; (ii) all costs, including the costs of the expert, to obtain such valuation; and (iii) twenty five percent (25%) of the fair market value of the Defaulting Party’s Participating Interest.

The Appraised Value shall be paid to the Defaulting Party in four (4) instalments, each equal to twenty five percent (25%) of the Appraised Value as follows:

- (a) the first instalment shall be due and payable to the Defaulting Party within fifteen (15) Business Days after the date on which the Defaulting Party’s Participating Interest is effectively transferred to the Acquiring Parties (the “**Transfer Date**”);
- (b) the second instalment shall be due and payable to the Defaulting Party within one hundred and eighty (180) Business Days after the Transfer Date;
- (c) the third instalment shall be due and payable to the Defaulting Party within three hundred and sixty-five (365) Business Days after the Transfer Date; and
- (d) the fourth instalment shall be due and payable to the Defaulting Party within five hundred and forty-five (545) Business Days after the Transfer Date.

### (3) Repeat Defaults

A Party which is held in default under this Agreement (and subsequently cures such default) shall be subject to the provisions of this **Article 8.4(D)(3)** for a period of fifteen (15) Days following the last Day of the Default Period associated with such initial occurrence of default. If such Party fails to remedy a subsequent default by the fifteenth

(15th) Day following the date of the Default Notice associated with such subsequent occasion of default (a “**Repeat Defaulting Party**”), then, without prejudice to any other rights available to each non-defaulting Party to recover its portion of the Total Amount in Default, each non-defaulting Party shall have the option, exercisable at any time thereafter until the Repeat Defaulting Party has completely cured its defaults, to require that the Repeat Defaulting Party completely withdraw from this Agreement and the Licence. Such option shall be exercised by notice to the Repeat Defaulting Party and each non-defaulting Party. If such option is exercised, the Repeat Defaulting Party shall be deemed to have transferred, pursuant to **Article 13.6**, effective on the date of the non-defaulting Party’s or Parties’ notice, its Participating Interest to the non-defaulting Parties. Notwithstanding the terms of **Article 13**, in the absence of an agreement among the non-defaulting Parties to the contrary, any transfer to the non-defaulting Parties following a withdrawal pursuant to this **Article 8.4(D)(2)** shall be in proportion to the Participating Interests of the non-defaulting Parties.

- (E) For purposes of **Article 8.4(D)**, the Defaulting Party shall, without delay following any request from the non-defaulting Parties, do any act required to be done by the Laws and any other applicable laws in order to render the transfer of its Participating Interest legally valid, including obtaining all Governmental consents and approvals, and shall execute any document and take such other actions as may be necessary in order to effect a prompt and valid transfer. The Defaulting Party shall be obligated to promptly remove any liens and encumbrances which may exist on its assigned Participating Interest. Simultaneously with the execution of this Agreement or as soon as practicable thereafter (but in any event not later than ten (10) Days thereafter) each Party shall execute a deed of power of attorney in substantially the form attached hereto as **Exhibit C** with such consequential amendments required to make such deed of Power of Attorney applicable to this Agreement, which deed of power of attorney constitutes and appoints each other Party as its true and lawful attorney to execute such instruments and make such filings and applications as may be necessary to accomplish any such transfer and to make such transfer legally effective, and to obtain any necessary consents, including consents required under the Licence. Actions under any such deed of power of attorney may be taken by any Party individually without the joinder of the others.
- (F) If the Minister or any other person whose consent is required does not consent to the proposed transfer, then the Defaulting Party shall hold its Participating Interest in trust for the sole and exclusive benefit of the non-defaulting Parties with the right to be indemnified by the non-defaulting Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable had it successfully transferred its Participating Interest. Subject to foregoing, all costs and expenses pertaining to any such assignment (including, for the avoidance of doubt, any stamp duty incurred on the documents executed to effect such transfer) shall be the responsibility of the Defaulting Party.
- (G) The non-defaulting Parties shall be entitled to recover from the Defaulting Party all reasonable attorneys’ fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Party.
- (H) The rights and remedies granted to the non-defaulting Parties in this **Article 8** shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that



may be available to the non-defaulting Parties, whether at law, in equity or otherwise. Each right and remedy available to the non-defaulting Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting Parties in their sole discretion.

**8.5 Survival**

The obligations of the Defaulting Party and the rights of the non-defaulting Parties shall survive the surrender of the Licence, abandonment of Joint Operations, decommissioning of joint facilities and termination of this Agreement.

**8.6 No Right of Set Off**

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this **Article 8**, such Party hereby waives any right to raise by way of set off or invoke as a defence, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against the Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that the nature and the amount of the remedies granted to the non-defaulting Parties hereunder are reasonable and appropriate in the circumstances.

**8.7 Appropriate Remedies**

The Parties agree that the rights conferred by this **Article 8** do not constitute a penalty or an unreasonable forfeiture and are necessary to ensure the maintenance of the Licence in good standing and the viability of the Joint Operations. To the extent that any provision under this Agreement shall constitute a forfeiture or penalty, each Party unconditionally waives any and all rights, remedies or powers it may have at law, in equity, or (to the extent permitted) by statute to relief against forfeiture or penalty if such provision is invoked or enforced. The Parties acknowledge that:

- (A) it is essential to the commercial viability of the Joint Operations and/or Exclusive Operations that the Parties comply with their financial obligations under this Agreement in a timely manner;
- (B) a default which continues for any substantial length of time places a severe financial burden on the non-defaulting Parties, especially in light of the significant risks associated with petroleum development and production;
- (C) the provisions set out in Article 8 have been agreed by the Parties having due regard to the foregoing matters and following extensive negotiations between the Parties and each Party having obtained its own independent legal advice to the extent it considered appropriate; and

- (D) the assumption by the non-defaulting Parties of:
- (1) the obligations of the Defaulting Party under the Licence; and
  - (2) the obligations which attach to the Participating Interest acquired from the Defaulting Party,

constitute good and valuable consideration for the exercise by the other Parties of their rights to acquire all or part of the Defaulting Party's Participating Interest under this **Article 8**.

## **ARTICLE 9 DISPOSITION OF PRODUCTION**

### **9.1 *Right and Obligation to Take in Kind***

Except as otherwise provided in this **Article 9** or in **Article 8**, each Party shall have the right and obligation to own, take in kind and separately dispose of its Entitlement.

### **9.2 *Disposition of Crude Oil***

The Parties shall, in good faith and not less than three (3) months prior to the anticipated first delivery of Crude Oil (as promptly notified by the Operator), negotiate and endeavour to conclude the terms of a lifting agreement to cover the offtake of Crude Oil produced from the Contract Area.

### **9.3 *Disposition of Natural Gas***

- (A) In this **Article 9.3**, the words "**Natural Gas**" shall be deemed to include Natural Gas and natural gas liquids.
- (B) The Parties shall in good faith, and not less than three (3) months prior to the anticipated first delivery of Natural Gas, (as promptly notified by the Operator), negotiate and endeavour to conclude the terms of an agreement which would cover the joint disposition and marketing of Natural Gas produced from the Contract Area.

### **9.4 *Right of First Offer***

(A) If and when it is determined that Petroleum is or will be capable of being produced from an Exploitation Area, [INSERT OPERATOR NAME] shall by written notice first offer to [INSERT NAME OF STATE ENTERPRISE] the opportunity to purchase [INSERT OPERATOR NAME]'s Entitlement from such Exploitation Area. In the case of Crude Oil, [INSERT OPERATOR NAME] shall provide a detailed analysis of the Crude Oil. [INSERT NAME OF STATE ENTERPRISE] shall, within seven (7) Days of receipt of [INSERT OPERATOR NAME]'s offer notice, advise [INSERT OPERATOR NAME] by written notice whether or not it wishes to commence negotiations with [INSERT OPERATOR NAME] with respect to the terms of the purchase and sale of [INSERT OPERATOR NAME]'s Entitlement.

(B) If [INSERT NAME OF STATE ENTERPRISE] elects in the manner provided herein to commence such negotiations, then [INSERT OPERATOR NAME] shall negotiate in good faith with [INSERT NAME OF STATE

ENTERPRISE] the terms of a purchase and sale agreement, as an arm's length transaction according to commercial conditions then prevailing, for the purchase of [INSERT OPERATOR NAME]'s Entitlement from such Exploitation Area.

(C) If [INSERT OPERATOR NAME] and [INSERT NAME OF STATE ENTERPRISE] have not agreed on such terms and conditions within sixty (60) Days after receipt by [INSERT NAME OF STATE ENTERPRISE] of [INSERT OPERATOR NAME]'s written notice (or any mutually agreed extension), then [INSERT OPERATOR NAME] shall be entitled to negotiate and conclude sales of its Entitlement from such Exploitation Area to any one or more third parties on terms no more favourable than those offered to [INSERT NAME OF STATE ENTERPRISE] without any further requirement to offer such Entitlement to [INSERT NAME OF STATE ENTERPRISE].

## **ARTICLE 10 DECOMMISSIONING AND ABANDONMENT**

### **10.1        *Decommissioning of Joint Facilities***

- (A) A decision to Decommission any facilities and/or equipment, other than wells, that were acquired for or contributed to the Joint Account, shall require the approval of the Operating Committee. In connection with such proposal the Operator shall give notice to all Parties listing such facilities and equipment together with the Operator's latest estimate of decommissioning costs.
- (B) If any Party fails to reply within the period prescribed in **Article 5.12(A)(1)** or **Article 5.12(A)(2)**, whichever applies, after delivery of notice of the Operator's proposal to Decommission such facilities and/or equipment, such Party shall be deemed to have consented to the proposed Decommissioning.
- (C) If the Operating Committee votes to Decommission such facilities and/or equipment, then subject to the Licence and applicable Laws, each Party shall have an option to take over as an Exclusive Operation any or all of such facilities and/or equipment located or held for use in the Contract Area and any Security for Decommissioning Costs, which option shall be exercisable until the Decommissioning Response Deadline. If one or more Parties elect to take over any such facilities, such equipment, and/or such Security (in this article hereinafter referred to as the "**Decommissioning Parties**"), each such Party so electing shall in the proportion that its Participating Interest bears to the total of the Participating Interests of the other Parties so electing: (i) assume responsibility for all Decommissioning Costs for the facilities and/or equipment that is taken over and indemnify the other Parties and the Operator (in its role as such) from all damages, losses, costs (including reasonable legal costs and attorneys' fees), and liabilities associated with Decommissioning of such facilities and/or equipment from the date of transfer; and (ii) provide Security for the Decommissioning Costs (as reasonably determined by the Operator), calculated as of the date of transfer to such Parties, which Security may not be released before completion of Decommissioning without the written consent of the other Parties. The Decommissioning Parties may, on exercising its option, make a proposal to the other Parties to have assigned to the Decommissioning Parties a reasonable portion of any Security for Decommissioning as it relates to the facilities and/or equipment that

are subject to the option in consideration for additional security being granted to the other Parties by the Decommissioning Parties. Any such proposal will be subject to the execution of an agreement in writing between all relevant Parties.

- (D) All rights to facilities and/or equipment transferred under **Article 10.1(C)** are transferred on an “as is” basis without warranties expressed or implied, including warranties as to merchantability, fitness for a particular purpose, conformity to models or samples of materials, use, maintenance, condition, capacity or capability. If any such facilities and/or equipment are transferred to one or more Parties under this **Article 10.1**, rights to use data and information concerning such facilities and/or equipment shall also be transferred to such Parties except to the extent that such data and information belongs to [INSERT NAME OF STATE ENTERPRISE] and/or the Government, in which case the appropriate approvals will be required from [INSERT NAME OF STATE ENTERPRISE] and/or the Government to use such data and information. The transfer of such rights is subject to the terms of this Agreement, the Licence and the Laws and is without prejudice to any rights of the Government concerning such data and information under the Licence or the Laws.

## **10.2 Abandonment of Wells Drilled as Joint Operations**

- (A) A decision to plug and abandon any well which has been drilled as a Joint Operation shall require the approval of the Operating Committee in accordance with **Article 5.9**.
- (B) If any Party fails to reply within the period prescribed in **Article 5.12(A)(1)** or **Article 5.12(A)(2)**, whichever applies, after delivery of notice of the Operator’s proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment.
- (C) If the Operating Committee approves a decision to plug and abandon an Exploration Well or Appraisal Well, subject to the Laws, any Party voting against such decision may propose (within the time periods allowed by **Article 5.13(A)**) to conduct an alternate Exclusive Operation in the wellbore. If no Exclusive Operation is timely proposed, or if an Exclusive Operation is timely proposed but is not commenced within the applicable time periods under **Article 7.2**, such well shall be plugged and abandoned.
- (D) Any well plugged and abandoned under this Agreement shall be plugged and abandoned in accordance with the Laws and at the cost, risk and expense of the Parties who participated in the cost of drilling such well; provided that, a Party whose Paying Interest was zero (0) in respect of a particular Exploration and/or Appraisal Well because its obligations were met by the other Parties in respect of Carried Obligations shall have no liability in respect of the cost of plugging and abandoning such Exploration and/or Appraisal Wells (whether or not such wells are plugged and abandoned prior to termination of the Exploration Period) unless following the date of approval by the Minister of a Development Plan for a Commercial Discovery such wells became Joint Property.
- (E) Notwithstanding anything to the contrary in this **Article 10.2**:

- (1) If the Operating Committee approves a decision to plug and abandon a well from which Petroleum has been produced and sold, subject to the Laws, any Party voting against the decision may propose (within five (5) Days after the time specified in **Article 5.6**, **Article 5.12(A)(1)** or **Article 5.12(A)(2)**, whichever is applicable, has expired) to take over the entire well as an Exclusive Operation. Any Party originally participating in the well shall be entitled to participate in the operation of the well as an Exclusive Operation by response notice within ten (10) Days after receipt of the notice proposing the Exclusive Operation.

In such event, the Consenting Parties shall be entitled to conduct an Exclusive Operation in the well; provided that the proposed operation may not be in the same Zone from which production was previously obtained nor be in a Zone which is produced by any other Joint Operation wells.

- (2) Each Non-Consenting Party shall be deemed to have relinquished free of cost to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment in accordance with **Article 7.4(B)**. The Consenting Parties shall thereafter bear all cost and liability of plugging and abandoning such well in accordance with the Laws, to the extent the Parties are or become obligated to contribute to such costs and liabilities, and shall indemnify the Non-Consenting Parties against all such costs and liabilities.
- (3) Subject to **Article 7.11(F)**, the Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

### **10.3 Decommissioning and Abandonment of Exclusive Operations**

This **Article 10** shall apply *mutatis mutandis* to the decommissioning of facilities and/or equipment acquired for an Exclusive Operation and abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted (in which event all Parties having the right to conduct further operations in such well shall be notified and have the opportunity to conduct Exclusive Operations in the well in accordance with the provisions of this **Article 10**).

### **10.4 Abandonment Fund**

- (A) Within ninety (90) days of the Effective Date, the Parties shall establish a joint account at a reputable financial institution in Trinidad and Tobago approved by the Parties (such approval by each Party not to be unreasonably withheld, conditioned or delayed) to accumulate cash reserves for use as a contingency fund for settlement of Decommissioning Costs and associated Environmental Loss attributable to the Parties.
- (B) From and including the Effective Date, the Parties shall pay punctually and without demand deduction counterclaim or set-off their respective Participating Interest share of One Dollar United States currency (US\$1.00) per bbl of Crude Oil sold where the monthly

average Crude Oil price is above Thirty Dollars United States currency (US\$30.00) which payment shall be deposited into the abandonment account established pursuant to this Article 10.4.

For the purpose of this **Article 10.4 “Crude Oil price”** shall mean the price calculated in accordance with and agreed upon in the most recent Crude Oil sales agreement between [INSERT NAME OF OPERATOR] and [INSERT NAME OF STATE ENTERPRISE] or any other Crude Oil sales agreement between [INSERT NAME OF OPERATOR] and another party relating to the sale of Crude Oil produced from the Contract Area.

- (C) The Operator shall use such funds from the abandonment account only for the purposes specified in **Article 10.4(A)** above. If there remains any surplus of funds after final Decommissioning to the satisfaction of the Minister, such funds shall be apportioned between the Parties in proportion to their respective Participating Interests. In the event that the funds in the abandonment account are insufficient to fund the required Decommissioning, such shortfall shall be funded by the Parties in proportion to their respective Participating Interests.
  
- (D) For the avoidance of doubt, it is the intention of the Parties that the abandonment account contemplated by this **Article 10.4** shall be separate and apart from any escrow account or abandonment fund required by the Minister or the Ministry under the Licence or the Act.

### **10.5 Abandonment Security**

Notwithstanding **Article 10.4**, if under the Licence or the Laws, the Parties are or become obliged to pay or contribute to the cost of ceasing operations, then during preparation of a Development Plan, the Parties shall negotiate an abandonment agreement, which shall be completed and executed by all Parties participating in such Development Plan prior to application for an Exploitation Area. The abandonment agreement shall incorporate appropriate provisions for security.

## **ARTICLE 11 SURRENDER, EXTENSIONS AND RENEWALS**

### **11.1 Surrender**

- (A) If the Licence requires the Parties to surrender any portion of the Contract Area, the Operator shall advise the Operating Committee of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Prior to the end of such period, the Operating Committee shall determine pursuant to **Article 5** the size and shape of the surrendered area, consistent with the requirements of the Licence. If a sufficient vote of the Operating Committee cannot be attained, then the proposal supported by a simple majority of the Participating Interests shall be adopted. If no proposal attains the support of a simple majority of the Participating Interests, then the proposal receiving the largest aggregate Participating Interest vote shall be adopted. In the event of a tie, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest

vote. The Parties shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against the Operator and any other Parties on account of any area surrendered in accordance with the foregoing but against its recommendation if Petroleum is subsequently discovered under the surrendered area.

- (B) A surrender of all or any part of the Contract Area which is not required by the Licence shall require the unanimous consent of the Parties.

### **11.2 Extension of the Term**

- (A) A proposal by any Party to enter into or extend the term of any Exploration or Exploitation Period or any phase of the Licence, or a proposal to extend the term of the Licence, shall be brought before the Operating Committee pursuant to **Article 5**.
- (B) Any Party shall have the right to enter into or extend the term of any Exploration or Exploitation Period or any phase of the Licence or to extend the term of the Licence, regardless of the level of support in the Operating Committee. If any Party takes such action, any Party not wishing to extend shall have a right to withdraw, subject to the requirements of **Article 13**.

## **ARTICLE 12**

### **TRANSFER OF INTEREST OR RIGHTS AND CHANGES IN CONTROL**

#### **12.1 Obligations**

- (A) Subject to the requirements of the Licence,
  - (1) (a) unless the Parties unanimously agree otherwise, until the satisfactory completion of the Minimum Work Obligations, no Transfer shall be made by a Party, and it shall use its best endeavours to ensure that it shall not become subject to a Change in Control.
  - (b) Notwithstanding paragraph 1(a) above, [INSERT NAME OF STATE ENTERPRISE]] shall be entitled to (i) Transfer any interest under this Agreement prior to satisfactory completion of the Minimum Work Obligations to a State-owned entity Controlled by the Government and (ii) be subject to a Change in Control where Control of [INSERT NAME OF STATE ENTERPRISE] passes to a State-owned entity Controlled by the Government;
- (2) any Transfer (except Transfers pursuant to **Article 7, Article 8, Article 13, or Article 19**) shall be effective only if it satisfies the terms and conditions of **Article 12.2**; and
- (3) a Party subject to a Change in Control must satisfy the terms and conditions of

**Article 12.3.**

Should a Transfer subject to this **Article 12** or a Change in Control occur without satisfaction (in all material respects) by the transferor or the Party subject to the Change in Control, as applicable, of the requirements hereof, then each other Party shall be entitled to enforce specific performance of the terms of this **Article 12**, in addition to any other remedies (including damages) to which it may be entitled. Each Party agrees that monetary damages alone would not be an adequate remedy for the breach of any Party's obligations under this **Article 12**.

(B) For purposes of this Agreement:

**"Cash Transfer"** means any Transfer where the sole consideration (other than the assumption of obligations relating to the transferred Participating Interest) takes the form of cash, cash equivalents, promissory notes or retained interests (such as production payments) in the Participating Interest being transferred; and

**"Cash Value"** means the portion of the total monetary value (expressed in U.S. dollars) of the consideration being offered by the proposed transferee (including any cash, other assets, and tax savings to the transferor from a non-cash deal) that reasonably should be allocated to the Participating Interest subject to the proposed Transfer or Change in Control.

**"Change in Control"** means any direct or indirect change in Control of a Party (whether through merger, sale of shares or other equity interests, or otherwise) through a single transaction or series of related transactions, from one or more transferors to one or more transferees, in which the market value of the Party's Participating Interest represents more than fifty percent (50%) of the aggregate market value of the assets of such Party and its Affiliates that are subject to the change in Control. For the purposes of this definition, market value shall be determined based upon the amount in cash a willing buyer would pay a willing seller in an arm's length transaction; Provided however, that the following shall not constitute a Change in Control for the purposes of this Agreement:

- (1) a transaction whereby Control of [INSERT NAME OF STATE ENTERPRISE] passes to a State-owned entity Controlled by the Government; and
- (2) if any person obtains Control of a Party or its Affiliate solely as a consequence of one or more sales of Freely Trading Shares on an established stock exchange, then such sales shall not constitute a Change in Control; where

**"Freely Trading Shares"** means those shares, units, or other equity interests in such Party (or such Party's Affiliate) which are widely held and, without limiting the generality of the foregoing, are not owned or controlled, directly or indirectly, by:

- (a) A person or group of persons "acting jointly or in concert"; or
- (b) An affiliate of such person or group of persons; or
- (c) A combination of (a) and (b); and



**“acting jointly or in concert”** means persons or other entities who regularly exercise voting rights attaching to their interests in the Party (or Affiliate) in a block or otherwise in a coordinated manner and shall, unless the contrary can be proven, be deemed to include the directors and officers of the Party (or Affiliate).

**“Encumbrance”** means a mortgage, lien, pledge, charge or other rights exercisable by third-parties. **“Encumber”** and other derivatives shall be construed accordingly.

**“Transfer”** means any sale, assignment, Encumbrance or other disposition by a Party of any rights or obligations derived from the Licence or this Agreement (including its Participating Interest), other than its Entitlement and its rights to any credits, refunds or payments under this Agreement, and excluding any Change in Control of a Party.

## **12.2 Transfer**

- (A) Except in the case of a Party transferring all of its Participating Interest, no Transfer shall be made by any Party which results in the transferor or the transferee holding a Participating Interest of less than ten percent (10%) or any interest other than a Participating Interest in the Licence and this Agreement.
- (B) Subject to the terms of **Articles 4.9 and 4.10**, the Party serving as the Operator shall remain as the Operator following the Transfer of a portion of its Participating Interest. In the event of a Transfer of all of its Participating Interest, except to an Affiliate, the Party serving as the Operator shall be deemed to have resigned as the Operator, effective on the date the Transfer becomes effective under this **Article 12**, in which event a successor Operator shall be appointed in accordance with **Article 4.11**. If the Operator transfers all of its Participating Interest to an Affiliate, that Affiliate shall automatically become the successor Operator, provided that the transferring Operator shall remain liable for its Affiliate's performance of its obligations.
- (C) Both the transferee, and, notwithstanding the Transfer, the transferring Party, shall be liable to the other Parties for the transferring Party's Participating Interest share of any obligations (financial or otherwise) which have vested, matured or accrued under the provisions of the Licence or this Agreement prior to such Transfer. Such obligations, shall include any proposed expenditure approved by the Operating Committee prior to the transferring Party notifying the other Parties of its proposed Transfer and shall also include costs of plugging and abandoning wells or portions of wells and decommissioning facilities in which the transferring Party participated (or with respect to which it was required to bear a share of the costs pursuant to this sentence) to the extent such costs are payable by the Parties under the Licence.
- (D) A transferee shall have no rights in the Licence or this Agreement (except any notice and cure rights or similar rights that may be provided to a Lien Holder (as defined in **Article 12.2(E)**) by separate instrument signed by all Parties) unless and until:
  - (1) it expressly undertakes in an instrument reasonably satisfactory to the other Parties to perform the obligations of the transferor under the Licence and this

Agreement in respect of the Participating Interest being transferred and obtains any necessary Government approval for the Transfer and furnishes any guarantees required by the Government or the Licence on or before the applicable deadlines; and

- (2) except in the case of a Transfer to an Affiliate, each Party has consented in writing to such Transfer, which consent shall be denied only if the transferee fails to establish to the reasonable satisfaction of each Party its financial capability to perform its payment obligations under the Licence and this Agreement and its technical capability to contribute to the planning and conduct of Joint Operations.

No consent shall be required under this **Article 12.2(D)(2)** for a Transfer to an Affiliate if the transferring Party agrees in an instrument reasonably satisfactory to the other Parties to remain liable for its Affiliate's performance of its obligations.

- (E) Nothing contained in this **Article 12** shall prevent a Party from Encumbering all or any undivided share of its Participating Interest to a third party (a "**Lien Holder**") for the purpose of security relating to finance, provided that:

- (1) such Party shall remain liable for all obligations relating to such interest;
- (2) the Encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Parties under this Agreement;
- (3) such Party shall ensure that any Encumbrance shall be expressed to be without prejudice to the provisions of this Agreement; and

- (3) the Lien Holder shall first enter into and deliver a subordination agreement in favour of the other Parties, in a form acceptable to such other Parties.

- (F) Any Transfer of all or a portion of a Party's Participating Interest, other than a Transfer to an Affiliate or the granting of an Encumbrance as provided in **Article 12.2(E)**, shall be subject to the following procedure:

- (1) Once the final terms and conditions of a Transfer have been fully negotiated, the transferor shall disclose all such final terms and conditions as are relevant to the acquisition of the Participating Interest (and, if applicable, the determination of the Cash Value of the Participating Interest) in a notice to the other Parties, which notice shall be accompanied by a copy of all instruments or relevant portions of instruments establishing such terms and conditions. Each other Party shall have the right to acquire the Participating Interest subject to the proposed Transfer from the transferor on the terms and conditions described in **Article 12.2(F)(3)** if, within thirty (30) Days of the transferor's notice, such Party delivers to all other Parties a counter-notification that it accepts such terms and conditions without reservations or conditions (subject to **Articles 12.2(F)(3)** and **12.2(F)(4)**, where applicable). If no Party delivers such counter-notification, the Transfer to the

proposed transferee may be made, subject to the other provisions of this **Article 12**, under terms and conditions no more favourable to the transferee than those set forth in the notice to the Parties, provided that the Transfer shall be concluded within one hundred eighty (180) Days from the date of the notice plus such additional period as may be required to secure Governmental approvals. No Party shall have a right under this **Article 12.2(F)** to acquire any asset other than a Participating Interest, nor may any Party be required to acquire any asset other than a Participating Interest, regardless of whether other properties are included in the Transfer.

- (2) If more than one (1) Party counter-notifies the transferor that it intends to acquire the Participating Interest subject to the proposed Transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless the counter-notifying Parties otherwise agree.
- (3) In the event of a Cash Transfer that does not involve other properties as part of a wider transaction, each other Party shall have a right to acquire the Participating Interest subject to the proposed Transfer on the same final terms and conditions as were negotiated with the proposed transferee. In the event of a Transfer that is not a Cash Transfer or involves other properties included in a wider transaction (package deal), the transferor shall include in its notification to the other Parties a statement of the Cash Value of the Participating Interest subject to the proposed Transfer, and each other Party shall have a right to acquire such Participating Interest on the same final terms and conditions as were negotiated with the proposed transferee except that it shall pay the Cash Value in immediately available funds at the closing of the Transfer in lieu of the consideration payable in the third party offer, and the terms and conditions of the applicable instruments shall be modified as necessary to reflect the acquisition of a Participating Interest for cash. In the case of a package sale, no Party may acquire the Participating Interest subject to the proposed package sale unless and until the completion of the wider transaction (as modified by the exclusion of properties subject to pre-emptive rights or excluded for other reasons) with the package sale transferee. If for any reason the package sale terminates without completion, the other Parties' rights to acquire the Participating Interest subject to the proposed package sale shall also terminate.
- (4) For purposes of **Article 12.2(F)(3)**, the Cash Value proposed by the transferor in its notice shall be conclusively deemed correct unless any Party (each a **"Disagreeing Party"**) gives notice to the transferor with a copy to the other Parties within ten (10) Days of receipt of the transferor's notice stating that it does not agree with the transferor's statement of the Cash Value, stating the Cash Value it believes is correct, and providing any supporting information that it believes is helpful. In such event, the transferor and the Disagreeing Parties shall have fifteen (15) Days in which to attempt to negotiate an agreement on the applicable Cash Value. If no agreement has been reached by the end of such fifteen (15) Day period, either the transferor or any Disagreeing Party shall be

entitled to refer the matter to an independent expert as provided in **Article 18.3** for determination of the Cash Value.

- (5) If the determination of the Cash Value is referred to an independent expert and the value submitted by the transferor is no more than five percent (5%) above the Cash Value determined by the independent expert, the transferor's value shall be used for the Cash Value and the Disagreeing Parties shall pay all costs of the expert. If the value submitted by the transferor is more than five percent (5%) above the Cash Value determined by the independent expert, the independent expert's value shall be used for the Cash Value and the transferor shall pay all costs of the expert. Subject to the independent expert's value being final and binding in accordance with **Article 18.3**, the Cash Value determined by the procedure shall be final and binding on all Parties.
  
- (6) Once the Cash Value is determined under **Article 12.2(F)(5)**, the Operator shall provide notice of such Cash Value to all Parties and if the Cash Value that was submitted to the independent expert by the transferor is more than five percent (5%) above the Cash Value determined by the independent expert, the transferor may elect to terminate its proposed Transfer by notice to all other Parties within five (5) Days after notice to the Parties of the final Cash Value. Similarly, if the Cash Value that was determined by the independent expert is more than five percent (5%) above the Cash Value submitted to the independent expert by a Disagreeing Party (or, in the case of a Party that is not a Disagreeing Party, is more than five percent (5%) above the Cash Value originally proposed by the transferor), such Party may elect to revoke its notice of intention to purchase the transferor's Participating Interest pursuant to **Article 12.2(F)(1)**. If the transferor does not properly terminate the proposed Transfer and one or more Parties which provided notices of their intention to purchase the transferor's Participating Interest pursuant to **Article 12.2(F)(1)** have not properly revoked their notices of such intention, then the transferor shall be obligated to sell and such Parties shall be obligated to buy the Participating Interest at the Cash Value as determined in accordance with **Article 12.2(F)(5)**. If all Parties which provided notice of their intention to purchase the transferor's Participating Interest pursuant to **Article 12.2(F)(1)** properly revoke their notices of such intention, the transferor shall be free to sell the interest to the third party at the determined Cash Value or a higher value and under conditions not more favourable to the transferee than those set forth in the notice of Transfer sent by the transferor to the other Parties, provided that the Transfer shall be concluded within one hundred and eighty (180) Days from the date of the determination plus such additional period as may be required to secure Governmental approvals.

### **12.3 Change in Control**

- (A) A Party subject to a Change in Control shall obtain any necessary Government approval with respect to the Change in Control and furnish any replacement Security required by the Government or the Licence on or before the applicable deadlines.
  
- (B) A Party subject to a Change in Control shall provide evidence reasonably satisfactory to

the other Parties that following the Change in Control such Party shall continue to have the financial capability to satisfy its payment obligations under the Licence and this Agreement. Should the Party that is subject to the Change in Control fail to provide such evidence, any other Party, by notice to such Party, may require such Party to provide Security satisfactory to the other Parties with respect to its Participating Interest share of any obligations or liabilities which the Parties may reasonably be expected to incur under the Licence and this Agreement during the then-current Exploration or Exploitation Period or phase of the Licence.

#### Pre-emptive Rights

- (C) Any Change in Control of a Party, other than one which results in ongoing Control by an Affiliate, shall be subject to the following procedure. For purposes of this **Article 12.3**, the term “**acquired Party**” shall refer to the Party that is subject to a Change in Control and the term “**acquiror**” shall refer to the Party or third party proposing to acquire Control in a Change in Control:
- (1) Once the final terms and conditions of a Change in Control have been fully negotiated, the acquired Party shall disclose all such final terms and conditions as are relevant to the acquisition of such Party's Participating Interest and the determination of the Cash Value of that Participating Interest in a notice to the other Parties, which notice shall be accompanied by a copy of all instruments or relevant portions of instruments establishing such terms and conditions. Each other Party shall have the right to acquire the acquired Party's Participating Interest on the terms and conditions described in **Article 12.3(C)(3)** if, within thirty (30) Days of the acquired Party's notice, such Party delivers to all other Parties a counter-notification that it accepts such terms and conditions without reservations or conditions (subject to **Articles 12.3(C)(3)** and **12.3(C)(4)**, where applicable). If no Party delivers such counter-notification, the Change in Control may proceed without further notice, subject to the other provisions of this **Article 12**, under terms and conditions no more favourable to the acquiror than those set forth in the notice to the Parties, provided that the Change in Control shall be concluded within one hundred and eighty (180) Days from the date of the notice plus such additional period as may be required to secure Governmental approvals. No Party shall have a right under this **Article 12.3(C)** to acquire any asset other than a Participating Interest, nor may any Party be required to acquire any asset other than a Participating Interest, regardless of whether other properties are subject to the Change in Control.
  - (2) If more than one Party counter-notifies that it intends to acquire the Participating Interest subject to the proposed Change in Control, then each such Party shall acquire a proportion of that Participating Interest equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless the counter-notifying Parties otherwise agree.
  - (3) The acquired Party shall include in its notification to the other Parties a statement of the Cash Value of the Participating Interest subject to the proposed Change in Control, and each other Party shall have a right to acquire such Participating

Interest for the Cash Value, on the final terms and conditions negotiated with the proposed acquiror that are relevant to the acquisition of a Participating Interest for cash. No Party may obtain the acquired Party's Participating Interest pursuant to this **Article 12.3(C)** unless and until completion of the Change in Control. If for any reason the Change in Control agreement terminates without completion, the other Parties' rights to acquire the Participating Interest subject to the proposed Change in Control shall also terminate.

- (4) For purposes of **Article 12.3(C)(3)**, the Cash Value proposed by the acquired Party in its notice shall be conclusively deemed correct unless any Party (each a "**Disagreeing Party**") gives notice to the acquired Party with a copy to the other Parties within ten (10) Days of receipt of the acquired Party's notice stating that it does not agree with the acquired Party's statement of the Cash Value, stating the Cash Value it believes is correct, and providing any supporting information that it believes is helpful. In such event, the acquired Party and the Disagreeing Parties shall have fifteen (15) Days in which to attempt to negotiate an agreement on the applicable Cash Value. If no agreement has been reached by the end of such fifteen (15) Day period, either the acquired Party or any Disagreeing Party shall be entitled to refer the matter to an independent expert as provided in **Article 18.3** for determination of the Cash Value.
- (5) If the determination of Cash Value is referred to an independent expert, and the value submitted by the acquired Party is no more than five percent (5%) above the Cash Value determined by the independent expert, the acquired Party's value shall be used for the Cash Value and the Disagreeing Parties shall pay all costs of the expert. If the value submitted by the acquired Party is more than five percent (5%) above the Cash Value determined by the independent expert, the independent expert's value shall be used for the Cash Value and the acquired Party shall pay all costs of the expert. Subject to the independent expert's value being final and binding in accordance with **Article 18.3**, the Cash Value determined by the procedure shall be final and binding on all Parties.
- (6) Once the Cash Value is determined under **Article 12.3(C)(4)**, the Operator shall provide notice of such Cash Value to all Parties and if the Cash Value that was submitted by the acquired Party to the independent expert is more than five percent (5%) above the Cash Value determined by the independent expert, the acquired Party and its Affiliates may elect to terminate the proposed Change in Control by notice to all other Parties within five (5) Days after notice to the Parties of the final Cash Value. Similarly, if the Cash Value that was determined by the independent expert is more than five percent (5%) above the Cash Value submitted to the independent expert by a Disagreeing Party (or, in the case of a Party that is not a Disagreeing Party, is more than five percent (5%) above the Cash Value originally proposed by the acquiror), such Party may elect to revoke its notice of intention to purchase the acquired Party's Participating Interest pursuant to **Article 12.3(C)(1)**. If the acquired Party and its Affiliates do not properly terminate the proposed Change in Control and one or more Parties which provided notices of their intention to purchase the acquired Party's Participating Interest pursuant to **Article 12.3(C)(1)** have not properly revoked

their notices of such intention, then the acquired Party shall be obligated to sell and such Parties shall be obligated to buy the Participating Interest at the Cash Value as determined in accordance with **Article 12.3(C)(5)**. If all Parties which provided notice of their intention to purchase the acquired Party's Participating Interest pursuant to **Article 12.3(C)(1)** properly revoke their notices of such intention, the Change in Control may proceed without further notice, under terms and conditions no more favourable to the acquiror than those in effect at the time of the determination, provided that the Change in Control shall be concluded within one hundred eighty (180) Days from the date of the determination plus such additional period as may be required to secure Governmental approvals.

## **ARTICLE 13 WITHDRAWAL FROM AGREEMENT**

### **13.1 *Right of Withdrawal***

- (A) Subject to the provisions of this **Article 13** and the Licence, at any time following the completion of the Minimum Work Obligations any Party not in default may at its option withdraw from this Agreement and the Licence by giving notice to all other Parties stating its decision to withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in **Article 13.7**.
- (B) The effective date of withdrawal for a withdrawing Party shall be the end of the calendar month following the calendar month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by **Article 13.9**.
- (C) Notwithstanding **Articles 13.1 (A) and (B)**, a Party shall not have the right to withdraw from this Agreement or the Licence until the Minimum Work Obligations have been satisfactorily completed.

### **13.2 *Partial or Complete Withdrawal***

- (A) Within thirty (30) Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Agreement and the Licence. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Licence and this Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Licence and this Agreement on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of **Article 13.6**.
- (B) Any Party withdrawing under **Article 11.2** or under this **Article 13** shall at its option, (1) withdraw from the entirety of the Contract Area, or (2) withdraw only from all exploration

activities under the Licence, but not from any Exploitation Area, Commercial Discovery, or Discovery (whether appraised or not) made prior to such withdrawal. Such withdrawing Party shall retain its rights in Joint Property, but only insofar as they relate to any such Exploitation Area, Commercial Discovery or Discovery, and shall abandon all other rights in Joint Property.

### **13.3 Rights of a Withdrawing Party**

A withdrawing Party shall have the right to receive its Entitlement produced through to the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

### **13.4 Obligations and Liabilities of a Withdrawing Party**

- (A) A withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:
- (1) costs of Joint Operations, and Exclusive Operations in which it has agreed to participate, that were approved by the Operating Committee or Consenting Parties as part of a Work Programme and Budget (including a multi-year Work Programme and Budget under **Article 6.5**) or AFE prior to such Party's notification of withdrawal, regardless of when they are incurred;
  - (2) any Minimum Work Obligations for the current period or phase of the Licence, and for any subsequent period or phase which has been approved pursuant to **Article 11.2** and with respect to which such Party has failed to timely withdraw under **Article 13.4(B)**;
  - (3) expenditures described in **Articles 4.2(B)(13) and 13.5** related to an emergency occurring prior to the effective date of a Party's withdrawal, regardless of when such expenditures are incurred;
  - (4) all other obligations and liabilities of the Parties or Consenting Parties, as applicable, with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and
  - (5) in the case of a partially withdrawing Party, any costs and liabilities with respect to Exploitation Areas, Commercial Discoveries and Discoveries from which it has not withdrawn.



The obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any costs of plugging and abandoning wells or portions of wells in which it participated (or was required to bear a share of the costs pursuant to **Article 13.4(A)(1)**) to the extent such costs of plugging and abandoning are payable by the Parties under the Licence. Any mortgages, liens, pledges, charges or other encumbrances which were placed on the withdrawing Party's Participating Interest prior to such Party's withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this **Article 13** merely because they are not identified or identifiable at the time of withdrawal.

- (B) Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in **Article 13.4(A)(2)** or **Article 13.4(A)(3)**) if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours for Urgent Operational Matters) of the Operating Committee vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into or extending of an Exploration Period or Exploitation Period or any phase of the Licence or voluntarily extending the Licence shall not be liable for the Minimum Work Obligations associated therewith provided that it sends notification of its withdrawal within thirty (30) Days of such vote pursuant to **Article 11.2**.

### **13.5 Emergency**

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Participating Interest share of the costs of such emergency, regardless of when they are incurred.

### **13.6 Assignment**

A withdrawing Party shall assign its Participating Interest free of cost to each of the non-withdrawing Parties in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all the non-withdrawing Parties (prior to the withdrawal), unless the non-withdrawing Parties agree otherwise. The expenses associated with the withdrawal and assignments shall be borne by the withdrawing Party. A withdrawing Party shall be liable for any stamp duty and/or fee charged in respect of the assignment of its Participating Interest pursuant to this **Article 13.6**. Notwithstanding any assignment pursuant to this **Article 13.6**, the withdrawing Party shall not be absolved from any liability arising under the Licence.

### **13.7 Approvals**

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments. The

non-withdrawing Parties shall use reasonable endeavours to assist the withdrawing Party in obtaining such approvals. Any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party. If the Government does not approve a Party's withdrawal and assignment to the other Parties, then the withdrawing Party shall at its option either (1) retract its notice of withdrawal by notice to the other Parties and remain a Party as if such notice of withdrawal had never been sent, or (2) hold its Participating Interest in trust for the sole and exclusive benefit of the non-withdrawing Parties with the right to be reimbursed by the non-withdrawing Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable, had it successfully withdrawn.

### **13.8 Security**

A Party withdrawing from this Agreement and the Licence pursuant to this **Article 13** shall provide Security satisfactory to the other Parties to satisfy any obligations or liabilities for which the withdrawing Party remains liable in accordance with **Article 13.4**, but which become due after its withdrawal, including Security to cover the costs of an abandonment, if applicable.

### **13.9 Withdrawal or Abandonment by All Parties**

In the event all Parties decide to withdraw, the Parties agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Parties with the Government, to satisfy any requirements of the Laws and to facilitate the sale, disposition or abandonment of property or interests held by the Joint Account, all in accordance with **Article 2**.

## **ARTICLE 14 RELATIONSHIP OF PARTIES AND TAX**

### **14.1 Relationship of Parties**

The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

### **14.2 Tax**

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Licence and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the Government tax authorities

to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the Laws or other Government action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

**ARTICLE 15**  
**VENTURE INFORMATION - CONFIDENTIALITY - INTELLECTUAL PROPERTY**

**15.1 Venture Information**

- (A) Except as otherwise provided in this Agreement, each Party will be entitled to receive all Venture Information related to operations in which such Party is a participant. Each Party shall have the right to use all Venture Information it receives without accounting to any other Party, subject to any applicable patents and any limitations set forth in this Agreement and the Licence. For purposes of this **Article 15**, the right to use shall entail the right to copy and prepare derivative works.
- (B) Each Party may, subject to any applicable restrictions and limitations set forth in the Licence, extend the right to use Venture Information to each of its Affiliates which are obligated to terms not less restrictive than this **Article 15**.
- (C) The acquisition or development of Venture Information under terms other than as specified in this **Article 15** shall require the approval of the Operating Committee. The request for approval submitted by a Party shall be accompanied by a description of, and summary of the use and disclosure restrictions which would be applicable to, the Venture Information, and any such Party will be obligated to use all reasonable efforts to arrange for rights to use which are not less restrictive than specified in this **Article 15**.
- (D) All Venture Information received by a Party under this Agreement is received on an "as is" basis without warranties, express or implied, of any kind. Any use of such Venture Information by a Party shall be at such Party's sole risk.

**15.2 Confidentiality**

- (A) Subject to the provisions of the Licence and this **Article 15**, the Parties agree that all Venture Information shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Licence and for a period of five (5) years thereafter to any person or entity not a Party to this Agreement, except:
  - (1) to an Affiliate pursuant to **Article 15.1(B)**.
  - (2) to a Governmental agency or other entity when required by the Licence;

- (3) to the extent such information is required to be furnished in compliance with the applicable law or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
  - (4) to prospective or actual attorneys engaged by any Party where disclosure of such information is essential to such attorney's work for such Party;
  - (5) to prospective or actual contractors and consultants engaged by any Party where disclosure of such information is essential to such contractor's or consultant's work for such Party;
  - (6) to a bona fide prospective transferee of a Party's Participating Interest to the extent appropriate in order to allow the assessment of such Participating Interest (including an entity with whom a Party and/or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);
  - (7) to a bank or other financial institution to the extent appropriate to a Party arranging for funding;
  - (8) to the extent such information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with **Article 21.3**;
  - (9) to its respective employees for the purposes of Joint Operations or Exclusive Operations as the case may be, subject to each Party taking customary precautions to ensure such information is kept confidential; and
  - (10) any information which, through no fault of a Party, becomes a part of the public domain.
- (B) Disclosure as pursuant to **Articles 15.2(A)(5), (6), and (7)** shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the information strictly confidential for a term that is at least as long as the confidentiality obligations of the Parties under this Agreement and the Licence and to use the information for the sole purpose described in **Articles 15.2(A)(5), (6), and (7)**, whichever is applicable, with respect to the disclosing Party.
- (D) Notwithstanding the foregoing, [INSERT NAME OF STATE ENTERPRISE] shall be entitled to use all data and information acquired in respect of the Contract Area or any portion of it prior to the effective date of the Licence in any manner whatsoever without having to obtain the consent of any Party.

**15.3 [INSERT NAME OF STATE ENTERPRISE] Information**

[INSERT NAME OF STATE ENTERPRISE] may, at its sole discretion, make available to the Parties relevant [INSERT NAME OF STATE ENTERPRISE] owned information or data pertaining to the Contract Area for the purpose of Joint Operations or Exclusive Operations (“**Permitted Purpose**”), as appropriate, and charge the relevant Parties (other than [INSERT NAME OF STATE ENTERPRISE]) the retrieval and production costs for making same available. Such information or data shall remain the property of [INSERT NAME OF STATE ENTERPRISE] but [INSERT NAME OF STATE ENTERPRISE] shall grant the relevant Parties a royalty free, non-exclusive license to use such [INSERT NAME OF STATE ENTERPRISE] owned information or data for the Permitted Purpose for the duration of this Agreement, provided that [INSERT NAME OF STATE ENTERPRISE] may at any time request the return of such information or data and/or the destruction of same, and the Parties to whom such [INSERT NAME OF STATE ENTERPRISE]-owned information or data is disclosed shall be subject to the confidentiality provisions contained in this **Article 15** to the same extent as if it were Venture Information.

**15.4 Intellectual Property**

- (A) Subject to **Articles 15.4(C) and 15.6** and unless provided otherwise in the Contract, all intellectual property rights in the Venture Information shall be Joint Property. Each Party and its Affiliates have the right to use all such intellectual property rights in their own operations (including joint operations or a production sharing arrangement in which the Party or its Affiliates has an ownership or equity interest) without the approval of any other Party. Decisions regarding obtaining, maintaining and licensing such intellectual property rights shall be made by the Operating Committee and the costs thereof shall be for the Joint Account. Upon unanimous consent of the Operating Committee as to ownership, licensing rights, and income distribution, the ownership of intellectual property rights in the Venture Information may be assigned to the Operator or to a Party.
- (B) Nothing in this Agreement shall be deemed to require a Party to (i) divulge proprietary technology to any of the other Parties; or (ii) grant a license or other rights under any intellectual property rights owned or controlled by such Party or its Affiliates to any of the other Parties.
- (C) If in the course of carrying out activities charged to the Joint Account, a Party or an Affiliate of a Party makes or conceives any inventions, discoveries, or improvements which primarily relate to or are primarily based on the proprietary technology of such Party or its Affiliates, then all intellectual property rights to such inventions, discoveries, or improvements shall vest exclusively in such Party and each other Party shall have a perpetual, royalty-free, irrevocable license to use such inventions, discoveries, or improvements, but only in connection with the Joint Operations.
- (D) Subject to **Article 4.6(B)**, all costs and expenses of defending, settling or otherwise handling any claim which is based on the actual or alleged infringement of any intellectual property right shall be for the account of the operation from which the claim arose, whether Joint Operations or Exclusive Operations.

**15.5 Continuing Obligations**

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in **Article 15.2**, and any disputes in relation thereto shall be resolved in accordance with **Article 18.2**.

**15.6 Trades**

Subject to obtaining any necessary consents required under the Licence, the Operator may, with approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties who participated in the cost of the data that was traded. The Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

**ARTICLE 16  
FORCE MAJEURE**

**16.1 Obligations**

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish Security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labour dispute except on terms acceptable to it, and all such disputes shall be handled within the sole discretion of the affected Party.

**16.2 Definition of Force Majeure**

For the purposes of this Agreement, "**Force Majeure**" shall mean circumstances which were beyond the reasonable control of the Party concerned and shall include strikes, lockouts and other industrial disturbances, war, insurrection, civil commotion, strikes, storm, tidal wave, epidemic, explosion, fire, lightening or earthquake. Force Majeure shall in no event include (without

limitation) (a) failure by a Party to pay money when due or fulfil any financial obligation under this Agreement or the Licence and (b) the insolvency of any Party.

## ARTICLE 17 NOTICES

Notices required or permitted to be given under this Agreement must be written in English, be addressed or sent in accordance with the receiving Party's contact information provided below and be delivered by hand, courier, or e-mail. Such Notices shall be effective if delivered by hand or courier, at the time of delivery; or if delivered by e-mail, the first Business Day at the recipient's address following the date of complete transmission. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

If to **[INSERT NAME OF STATE ENTERPRISE]**: [INCORPORATED NAME OF STATE ENTERPRISE]  
[ADDRESS]  
[ATTENTION:]  
[TELEPHONE NO.]

If to **[INSERT NAME OF OPERATOR]**: [INCORPORATED NAME OF OPERATOR]  
[ADDRESS]  
[ATTENTION:]  
[TELEPHONE NO.]

## ARTICLE 18 APPLICABLE LAW - DISPUTE RESOLUTION - WAIVER OF SOVEREIGN IMMUNITY

### 18.1 *Applicable Law*

The substantive laws of the Republic of Trinidad and Tobago, exclusive of any conflicts of laws principles that could require the application of any other law, shall govern this Agreement for all purposes, including the resolution of all Disputes between or among Parties.

### 18.2 *Dispute Resolution*

- (A) Notification. A Party who desires to submit a Dispute for resolution shall commence the dispute resolution process by providing the other parties to the Dispute a written and dated notice of the Dispute ("**Notice of Dispute**"). The Notice of Dispute shall identify the parties to the Dispute and contain a brief statement of the nature of the Dispute and the relief requested. The submission of a Notice of Dispute shall toll any applicable statutes of limitation related to the Dispute, pending the conclusion or abandonment of dispute resolution proceedings under this **Article 18**.
- (B) Negotiations. The parties to the Dispute shall seek to resolve any Dispute by negotiation

between Senior Executives. A **“Senior Executive”** means any individual who has ostensible authority to negotiate the settlement of the Dispute for a Party. Within thirty (30) Days after the date of the receipt by each Party to the Dispute of the Notice of Dispute (which notice shall request negotiations among Senior Executives), the Senior Executives representing the Parties to the Dispute shall meet at a mutually acceptable time and place to exchange relevant information in an attempt to resolve the Dispute. If a Senior Executive intends to be accompanied at the meeting by an attorney, each other Party’s Senior Executive shall be given written notice of such intention at least three (3) Days in advance and may also be accompanied at the meeting by an attorney. The resolution of any Dispute by negotiation between Senior Executives shall be confirmed in writing. Notwithstanding the foregoing, any Party may initiate arbitration proceedings pursuant to **Article 18.2(C)** concerning such Dispute within thirty (30) Days after the date of receipt of the Notice of Dispute.

(C) Arbitration. Any Dispute not finally resolved by alternative dispute resolution procedures set forth in **Articles 18.2(B)** shall be exclusively and definitively resolved through final and binding arbitration, it being the intention of the Parties that this is a broad form arbitration agreement designed to encompass all possible disputes.

(1) Rules. The arbitration shall be conducted in accordance with the Rules of The London Court of International Arbitration (**“LCIA”**).

(2) Number of Arbitrators. The arbitration shall be conducted by three (3) arbitrators, unless all parties to the Dispute agree to a sole arbitrator within thirty (30) Days after the filing of the arbitration. For greater certainty, for purposes of this **Article 18.2(C)**, the filing of the arbitration means the date on which the claimant's request for arbitration is received by the other Parties to the Dispute.

(3) Method of Appointment of the Arbitrators. If the arbitration is to be conducted by a sole arbitrator, then the arbitrator will be jointly selected by the parties to the Dispute. If the Parties to the Dispute fail to agree on the arbitrator within thirty (30) Days after the filing of the arbitration, then the Court of the LCIA (**“the LCIA Court”**) shall appoint the arbitrator on the application of one (1) or more of the Parties.

If the arbitration is to be conducted by three (3) arbitrators and there are only two (2) Parties to the Dispute, then each Party to the Dispute shall appoint one (1) arbitrator within thirty (30) Days of the filing of the arbitration, and the two (2) arbitrators so appointed shall select the presiding arbitrator within thirty (30) Days after the latter of the two (2) arbitrators has been appointed by the Parties to the Dispute. If a Party to the Dispute fails to appoint its Party-appointed arbitrator or if the two (2) Party-appointed arbitrators cannot reach an agreement on the presiding arbitrator within the applicable time period, then the LCIA Court shall appoint the remainder of the three (3) arbitrators not yet appointed.



If the arbitration is to be conducted by three (3) arbitrators and there are more than two (2) Parties to the Dispute, then within thirty (30) Days of the filing of the arbitration, all claimants shall jointly appoint one (1) arbitrator and all respondents shall jointly appoint one (1) arbitrator, and the two (2) arbitrators so appointed shall select the presiding arbitrator within thirty (30) Days after the latter of the two (2) arbitrators has been appointed by the parties to the Dispute. If either all claimants or all respondents fail to make a joint appointment of an arbitrator or if the Party-appointed arbitrators cannot reach an agreement on the presiding arbitrator within the applicable time period, then the LCIA Court shall appoint the remainder of the three (3) arbitrators not yet appointed.

- (4) Consolidation. If the Parties initiate multiple arbitration proceedings, the subject matters of which are related by common questions of law or fact and which could result in conflicting awards or obligations, then all such proceedings may be consolidated into a single arbitral proceeding.
- (5) Place of Arbitration. Unless otherwise agreed by all parties to the Dispute, the place of arbitration shall be Trinidad and Tobago.
- (6) Language. The arbitration proceedings shall be conducted in the *English* language and the arbitrator(s) shall be fluent in the *English* language.
- (7) Entry of Judgment. The decision and award of the arbitral tribunal shall be final and binding. Judgment on the award of the arbitral tribunal may be entered and enforced by any court of competent jurisdiction.
- (8) Notice. All notices required for any arbitration proceeding shall be deemed properly given if sent in accordance with **Article 17**.
- (9) Qualifications and Conduct of the Arbitrators. All arbitrators shall be and remain at all times wholly impartial, and, once appointed, no arbitrator shall have any *ex parte* communications with any of the parties to the Dispute concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding arbitrator, where applicable.
- (10) Whenever the parties to the Dispute are of more than one nationality, the single arbitrator or the presiding arbitrator (as the case may be) shall not be of the same nationality as any of the parties or their ultimate parent entities, unless the parties to the Dispute otherwise agree.
- (11) Interim Measures. Notwithstanding any requirements for alternative dispute resolution procedures as set forth in **Articles 18.2(B)**, any Party to the Dispute may apply to a court for interim measures (i) prior to the constitution of the arbitral tribunal (and thereafter as necessary to enforce the arbitral tribunal's rulings); or (ii) in the absence of the jurisdiction of the arbitral tribunal to rule on interim measures in a given jurisdiction. The Parties agree that seeking and obtaining such interim measures shall not waive the right to arbitration.

The arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone, by video conference or by other means that permit the parties to the Dispute to present evidence and arguments.

- (12) **Costs and Attorneys' Fees.** The arbitral tribunal is authorized to award costs and attorneys' fees and to allocate them between the parties to the Dispute. The costs of the arbitration proceedings, including attorneys' fees, shall be borne in the manner determined by the arbitral tribunal.
  - (13) **Interest.** The award shall include interest, as determined by the arbitral award, from the date of any default or other breach of this Agreement until the arbitral award is paid in full. Interest shall be awarded at the Agreed Interest Rate.
  - (14) **Currency of Award.** The arbitral award shall be made and payable in United States dollars, free of any tax or other deduction.
  - (15) **Exemplary Damages.** The Parties waive their rights to claim or recover, and the arbitral tribunal shall not award, any punitive, multiple, or other exemplary damages (whether statutory or common law) except to the extent such damages have been awarded to a third party and are subject to allocation between or among the parties to the Dispute.
  - (16) **Waiver of Challenge to Decision or Award.** To the extent permitted by law, any right to appeal or challenge any arbitral decision or award, or to oppose enforcement of any such decision or award before a court or any Governmental authority, is hereby waived by the Parties except with respect to the limited grounds for modification or non-enforcement provided by any applicable arbitration statute or treaty.
- (E) **Confidentiality.** All negotiations, mediation, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their employees, officers, directors, counsel, consultants, and expert witnesses, except (in accordance with **Article 15.2**) to the extent necessary to enforce this **Article 18** or any arbitration award, to enforce other rights of a Party, or as required by law; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination or award.

### **18.3 Expert Determination**

For any decision referred to an expert under **Articles 8.4, 12.2, 12.3 or 19.3**, the Parties hereby agree that such decision shall be conducted expeditiously by an expert selected unanimously by the parties to the Dispute. The expert is not an arbitrator of the Dispute and shall not be deemed

to be acting in an arbitral capacity. The Party desiring an expert determination shall give the other parties to the Dispute written notice of the request for such determination. If the parties to the Dispute are unable to agree upon an expert within ten (10) Days after receipt of the notice of request for an expert determination, then, upon the request of any of the parties to the Dispute, the LCIA shall appoint such expert. The expert, once appointed, shall have no *ex parte* communications with any of the parties to the Dispute concerning the expert determination or the underlying Dispute. All Parties agree to cooperate fully in the expeditious conduct of such expert determination and to provide the expert with access to all facilities, books, records, documents, information and personnel necessary to make a fully informed decision in an expeditious manner. Before issuing his final decision, the expert shall issue a draft report and allow the parties to the Dispute to comment on it. The expert shall endeavour to resolve the Dispute within thirty (30) Days (but no later than sixty (60) Days) after his appointment, taking into account the circumstances requiring an expeditious resolution of the matter in dispute. The expert's decision shall be final and binding on the Parties to the Dispute unless challenged in an arbitration pursuant to **Article 18.2(D)** within sixty (60) Days of the date the expert's final decision is received by the Parties to the Dispute and until replaced by such subsequent arbitral award. In such arbitration (i) the expert determination on the specific matter under **Articles 8.4, 12.2, 12.3 or 19.3** shall be entitled to a rebuttable presumption of correctness; and (ii) the expert shall not (without the written consent of the Parties to the Dispute) be appointed to act as an arbitrator or as adviser to the Parties to the Dispute.

The Parties further agree that any dispute in relation to technical and operating matters may, if the Parties to the dispute so agree, be submitted to an independent expert for determination in accordance with this **Article 18.3**.

#### **18.4 Waiver of Sovereign Immunity**

Any Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by the laws of any applicable jurisdiction. This waiver includes immunity from (i) any expert determination, mediation, or arbitration proceeding commenced pursuant to this Agreement; (ii) any judicial, administrative or other proceedings to aid the expert determination, mediation, or arbitration commenced pursuant to this Agreement; and (iii) any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from an expert determination, mediation, arbitration or any judicial or administrative proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations hereunder are of a commercial and not a governmental nature.

### **ARTICLE 19 CONVERSION OPTION**

#### **19.1 Definition of Measurement Point**

For the purpose of this **Article 19**, "**Measurement Point**" means the first point of measurement downstream of the point where production of Petroleum leaves the facilities for which the costs are for

the Joint Account and enters other facilities (including [INSERT NAME OF STATE ENTERPRISE] facilities) that are not held for the Joint Account for the purpose of transportation to market.

### **19.2 Conversion of Participating Interest**

[INSERT NAME OF STATE ENTERPRISE] shall have the option exercisable at any time by written notice to the other Parties, to convert its Participating Interest in the Contract Area into an Overriding Royalty.

### **19.3 Negotiation of Overriding Royalty**

Following such written notification to the other Parties, the Parties will attempt in good faith to negotiate the amount of the Overriding Royalty within ninety (90) Days thereof.

### **19.4 Execution of Agreement**

On determination of the amount of the Overriding Royalty pursuant to **Article 19.3** above the Parties shall use reasonable endeavours to agree other relevant terms and conditions, including without limitation to the generality of the foregoing, the waiver and/or temporary suspension by [INSERT NAME OF STATE ENTERPRISE] of its interest in this Agreement and, subject to all necessary approvals, execute an agreement which shall thereafter regulate their relationship with respect to the Contract Area for its duration.

## **ARTICLE 20 CROSS INDEMNITY**

### **20.1 Liability to Third Parties arising out of Joint Operations**

Except as otherwise provided in this Agreement, each Party (in its capacity as such) shall be liable and responsible for and shall pay an amount which is equal to such Party's Participating Interest share of any liability incurred by a Party (other than a Party in its capacity as the Operator) to any third party (whether such liability is by way of indemnity or for breach of statutory duty or in tort (including negligence) or otherwise at law or in equity) arising from or in connection with Joint Operations and each Party shall indemnify and keep indemnified each other Party from and against any such liability suffered or incurred by any such Party to the aforesaid level, provided however that the benefit of any such indemnity shall not extend to a Party which has incurred liability as a result of that Party's Gross Negligence/Willful Misconduct.

### **20.2 Liability to Third Parties arising out of Exclusive Operations**

In the case of any liability incurred by a Party (other than a Party in its capacity as the Operator) to any third party arising from or in connection with an Exclusive Operation only the Consenting Parties to such Exclusive Operation shall share in such liabilities to the extent of their respective Participating Interest in such Exclusive Operation, and the provisions of **Article 20.1** regarding indemnities shall apply *mutatis mutandis* to such Consenting Parties in accordance with the terms of this Agreement.

### **20.3 Meaning of Participating Interest**

For the purpose of **Article 20**, a Party's Participating Interest shall mean the Party's Participating Interest at the time when the incident giving rise to such liability to a third party arose.

### **ARTICLE 21**

#### **[INSERT NAME OF STATE ENTERPRISE] LANDS AND OPEN PRIVATE RIGHTS AREAS**

[THE CONTENT OF THIS, ARTICLE 21, IS ONLY TO BE INCLUDED WHERE A STATE ENTERPRISE IS PARTICIPATING IN THE JOA]

### **21.1 Definitions**

For the purpose of this **Article 21**, the following terms have the meanings given them:

**"[INSERT OPERATOR NAME]'s Lands"** means those lands subject to private petroleum rights located within the Contract Area (wholly or in part) in which, at any point in time during this Agreement, [INSERT OPERATOR NAME] acquires an interest (whether freehold, leasehold or otherwise) on behalf of the Parties as to their Participating Interests, but excluding such lands as may be acquired for its own benefit in accordance with **Article 21.6(D)**.

**"Open Private Rights Areas"** means those lands subject to private petroleum rights located within the Contract Area (wholly or in part) in which, at any point in time during this Agreement, the Parties do not have any private petroleum rights;

**"[INSERT NAME OF STATE ENTERPRISE] Lands"** means those lands subject to private petroleum rights located within the Contract Area (wholly or in part) in which, at any point in time during this Agreement, [INSERT NAME OF STATE ENTERPRISE] holds a one-hundred percent (100%) interest (whether freehold, leasehold or otherwise);

**"private petroleum rights"** has the meaning assigned to it under the Act;

**"public petroleum rights"** has the meaning assigned to it under the Act;

**"Royalty"** means a percentage share of the market value of Petroleum production when and as produced from wells, free of expenses of exploration, development and production, whether such Petroleum production derives from lands within the Contract Area that are subject to public petroleum rights or private petroleum rights.

### **21.2 Grant of Access to [INSERT NAME OF STATE ENTERPRISE] Lands**

During this Agreement, [INSERT NAME OF STATE ENTERPRISE] shall use reasonable endeavours to permit [INSERT OPERATOR NAME], in the latter's capacity as the Operator under this Agreement, access to such areas of the [INSERT NAME OF STATE ENTERPRISE] Lands so as to facilitate the right to explore for, drill

for, work and win Petroleum within, upon and under the [INSERT NAME OF STATE ENTERPRISE] Lands, to the extent such access is required for the conduct of Petroleum operations under this Agreement.

**21.3 Access for Drilling of an Exploration Well or an Appraisal Well or Lease for Development**

- (A) Upon Written approval by the Ministry for the drilling of an Exploration Well or an Appraisal Well (which approval would currently be in the form of a "DRL 2", and which may hereafter be in any other form as revised from time to time by the Ministry), [INSERT NAME OF STATE ENTERPRISE] shall use reasonable endeavours to permit [INSERT OPERATOR NAME] access to such areas of the [INSERT NAME OF STATE ENTERPRISE] Lands as are agreed to be within the prospect related to any such well, so as to permit drilling activities to proceed, without the need or obligation on the part of [INSERT NAME OF STATE ENTERPRISE] to grant to [INSERT OPERATOR NAME] a lease or sub-lease therein.
  
- (B) Upon Written approval by the Minister of a Development Plan, [ shall, if requested to do so by [INSERT OPERATOR NAME] and subject to obtaining requisite consents, use reasonable endeavours to:
  - (1) sublease to [INSERT OPERATOR NAME], [INSERT OPERATOR NAME]'s Participating Interest in any [INSERT NAME OF STATE ENTERPRISE] private oil mining lease; and
  
  - (2) lease to [INSERT OPERATOR NAME], [INSERT OPERATOR NAME]'s Participating Interest in any [INSERT NAME OF STATE ENTERPRISE] freehold lands, which are wholly or partly within the boundaries of any Field relating to such Development Plan.
  
- (C) The form of each lease and/or sub-lease of [INSERT OPERATOR NAME]'s Participating Interest in the [INSERT NAME OF STATE ENTERPRISE] freehold lands and/or the private oil mining leases (as appropriate) shall be based substantially on terms and conditions contained in [INSERT NAME OF STATE ENTERPRISE] standard form of lease or sub-lease, provided that such lease or sub-lease shall contain, *inter alia*, provisions for termination and/or surrender of [INSERT OPERATOR NAME]'s rights thereunder upon termination or surrender of the Licence and/or the cessation of Petroleum operations in the relevant portion of the [INSERT NAME OF STATE ENTERPRISE] Lands and all disbursements to the competent authorities associated with the stamping, affidavit fees, registration fees and all other costs for the registration of any lease or sub-lease shall be for [INSERT OPERATOR NAME]'s sole account.
  
- (D) In the event that the form of any lease or sub-lease of the [INSERT NAME OF STATE ENTERPRISE] Lands has not been settled, executed, delivered and registered within sixty (60) Days of the Minister's approval of a Development Plan, [INSERT NAME OF STATE ENTERPRISE] shall hold in trust for [INSERT OPERATOR NAME], [INSERT OPERATOR NAME]'s Participating Interest in the relevant portion or portions of the [INSERT NAME OF STATE ENTERPRISE] Lands for such period as shall enable [INSERT OPERATOR NAME]

to exercise and enjoy all rights, easements and liberties and carry on Petroleum operations to earn and receive its Participating Interest in any Petroleum won in any such portion or portions of the [INSERT NAME OF STATE ENTERPRISE] Lands.

**21.4 Payments for [INSERT NAME OF STATE ENTERPRISE] Lands**

During the Exploration Period and for so long thereafter as [INSERT OPERATOR NAME] has any right or interest in any particular [INSERT NAME OF STATE ENTERPRISE] Lands (whether rights of access, a lease interest or otherwise) for the purpose of conducting Petroleum operations under this Agreement, [INSERT OPERATOR NAME] shall pay to [INSERT NAME OF STATE ENTERPRISE]:

- (A) on the freehold Petroleum rights or any other interest held by [INSERT NAME OF STATE ENTERPRISE] (but not the private oil mining leases held by [INSERT NAME OF STATE ENTERPRISE]) covering any portion of the Contract Area:
  - (1) seventy-five percent (75%) of the lease rent of one hundred dollars in the currency of the Republic of Trinidad and Tobago (TT\$100.00) per acre or part thereof per year (subject to revision as hereinafter provided); and
  - (2) [INSERT OPERATOR NAME]'s seventy-five percent (75%) Participating Interest of a Royalty of twelve point five percent (12.5%) of Gross Production attributable to the Petroleum won and saved from the freehold Petroleum rights or other interest held by [INSERT NAME OF STATE ENTERPRISE].

As [INSERT NAME OF STATE ENTERPRISE] holds the fee simple reversion of the freehold Petroleum rights there will be no liability for or payment of the balance of twenty-five percent (25%) of the above-mentioned lease rent and Royalty. It is agreed that the lease for such freehold Petroleum rights shall provide for an increase in lease rent during the term to the equivalent sum of the standard rent per acre or part thereof paid by [INSERT NAME OF STATE ENTERPRISE] under its private oil mining leases to lessors in the Contract Area.

- (B) On the private oil mining leases held by [INSERT NAME OF STATE ENTERPRISE] (but not freehold Petroleum rights or any other interest held by [INSERT NAME OF STATE ENTERPRISE]) covering any portion of the Contract Area:
  - (1) seventy-five percent (75%) of private oil mining lease rents due and payable by [INSERT NAME OF STATE ENTERPRISE] in respect of the exploration, development and production rights of the [INSERT NAME OF STATE ENTERPRISE] Lands in the Contract Area.
  - (2) [INSERT OPERATOR NAME]'s seventy-five percent (75%) Participating Interest share of the Royalty payable by [INSERT NAME OF STATE ENTERPRISE] in respect of the Petroleum won and saved from the Petroleum rights held under the private oil mining leases).

[INSERT OPERATOR NAME] shall make such payments to [INSERT NAME OF STATE ENTERPRISE] semi-annually in arrears calculated from anniversaries of the Effective Date. For greater certainty, the Parties acknowledge that when [INSERT OPERATOR NAME]'s rights to a particular portion of the [INSERT NAME OF STATE ENTERPRISE] Lands expires (whether by way of termination, surrender, reassignment, relinquishment or otherwise), [INSERT OPERATOR NAME]'s obligations under this **Article 21** terminate.

**21.5 State Licence Minimum Payments, Rents, Royalties and Fees, etc.**

All minimum payments, rents, royalties and fees in respect of the Contract Area under the Licence, shall be paid by [INSERT OPERATOR NAME] in accordance with the terms of the Licence and this Agreement.

**21.6 Open Private Rights Areas**

- (A) Subject to **Articles 21.6(B), (C) and (D)**, [INSERT OPERATOR NAME] or [INSERT NAME OF STATE ENTERPRISE] may elect to acquire an interest in Open Private Rights Areas (whether a freehold, leasehold or any other interest) after the Effective Date in respect of Petroleum rights within the Contract Area not already held by a Party on the Effective Date.
- (B) If [INSERT OPERATOR NAME] elects to acquire any interest in Open Private Rights Areas (whether a freehold, leasehold or other interest) (the **"Interest"**), it shall provide to [INSERT NAME OF STATE ENTERPRISE] a written notice of offer of the right to acquire such interest on the same terms that [INSERT OPERATOR NAME] has the right to acquire such Interest. Such written notice should provide the name and address of the private person who holds the Interest (**"Private Interest Holder"**) and any other relevant information available to [INSERT OPERATOR NAME] at the time of issuing the notice that would assist [INSERT NAME OF STATE ENTERPRISE] in acquiring such Interest.

[INSERT NAME OF STATE ENTERPRISE] shall have thirty (30) Days from the date of receipt of [INSERT OPERATOR NAME]'s notice, to elect to acquire 100% of such Interest by notifying [INSERT OPERATOR NAME] of such election (**"Election Period"**).

Within thirty (30) Days from the date of receipt by [INSERT OPERATOR NAME] of [INSERT NAME OF STATE ENTERPRISE]'s notice of election to acquire 100% of such Interest, [INSERT NAME OF STATE ENTERPRISE] shall enter into an agreement with the Private Interest Holder to acquire the Interest (**"Acquisition Period"**).

- (C) If [INSERT NAME OF STATE ENTERPRISE] does not exercise its right to acquire such Interest as to one hundred percent (100%) within the Election Period or does so elect but fails to enter into an agreement with the Private Interest Holder within the Acquisition Period, [INSERT OPERATOR NAME] shall, subject to **Article 21.6(D)**, have:
  - (1) thirty (30) Days after the Election Period (in the case where [INSERT NAME OF STATE ENTERPRISE] does not exercise its right to acquire such Interest), or



- (2) thirty (30) Days after the Acquisition Period (in the case where [INSERT NAME OF STATE ENTERPRISE] does so exercise its right to acquire such Interest, but fails to enter into an agreement with the Private Interest Holder within the Acquisition Period)

to acquire such Interest on behalf of the Parties as to their Participating Interests.

- (D) If [INSERT OPERATOR NAME] fails to exercise its right to acquire such Interest by entering into an agreement with the Private Interest Holder within thirty (30) Days as aforesaid, it shall be open to either Party to acquire such Interest. Where [INSERT OPERATOR NAME] acquires such Interest it shall be acquired on behalf of the Parties as to their Participating Interests, provided [INSERT OPERATOR NAME] gives [INSERT NAME OF STATE ENTERPRISE] fourteen (14) Days prior notice of the financial terms of the proposed acquisition of such Interest and [INSERT NAME OF STATE ENTERPRISE] agrees within such period to such financial terms. If [INSERT NAME OF STATE ENTERPRISE] does not agree to such financial terms, [INSERT OPERATOR NAME] shall be entitled to acquire such Interest as to one hundred percent (100%) by [INSERT OPERATOR NAME], and such Interest shall not form part of [INSERT OPERATOR NAME]'s Lands (as defined in **Article 21.1** under this Agreement) and [INSERT OPERATOR NAME] shall be entitled to explore and exploit Petroleum in such Interest as an Exclusive Operation. Where [INSERT NAME OF STATE ENTERPRISE] acquires such Interest it shall be acquired as to one hundred percent (100%) by [INSERT NAME OF STATE ENTERPRISE].
- (E) If [INSERT NAME OF STATE ENTERPRISE] acquires the Interest as to 100%, it shall be included in the [INSERT NAME OF STATE ENTERPRISE] Lands and be subject to the terms and provisions of this Agreement as it relates to the [INSERT NAME OF STATE ENTERPRISE] Lands.
- (F) If the Interest is acquired by [INSERT OPERATOR NAME] on behalf of the Parties in their respective Participating Interests, [INSERT NAME OF STATE ENTERPRISE] shall pay to [INSERT OPERATOR NAME] [INSERT NAME OF STATE ENTERPRISE]'s Participating Interest share of all costs of acquisition and all continuing obligations and liabilities in respect of such Interest. The rights of [INSERT OPERATOR NAME] to such Interest shall be for the full duration of such Interest, and [INSERT OPERATOR NAME]'s rights shall not be affected by the surrender, termination or relinquishment provisions of this Agreement; Provided However that upon the termination of the Licence the Parties shall decide whether each wishes to retain its Participating Interest in any Interest acquired on behalf of the Parties as to their Participating Interests or to surrender the relevant Interest or to assign same to each other, and in the event that a Party is not interested in acquiring such Interest such Party will then be entitled to assign same to a third party on such terms as may be agreed between the Parties.
- (G) For the avoidance of doubt, it is agreed and understood between the Parties that:
- (1) [INSERT NAME OF STATE ENTERPRISE] is not responsible to acquire any additional Interest required for carrying out the Minimum Work Obligations; and

- (2) [INSERT OPERATOR NAME], as Operator, shall make reasonable efforts to acquire any additional Interest required for carrying out the Minimum Work Obligations, subject however to the provisions of this **Article 21**.

**21.7 [INSERT NAME OF STATE ENTERPRISE]'s Facilitation of Rights**

By this Agreement upon [INSERT OPERATOR NAME] paying such sums as are required under this **Article 20** of this Agreement and observing the terms and conditions and fulfilling its work and other obligations as herein provided, [INSERT NAME OF STATE ENTERPRISE] shall, subject to any requisite consents, use reasonable endeavours to facilitate the exercise by [INSERT OPERATOR NAME] for the duration of this Agreement, full and co-extensive right and authority to explore, drill, get and search for Petroleum in such portions of the Contract Area as are included in the [INSERT NAME OF STATE ENTERPRISE] Lands (at the Effective Date together with any additions to the [INSERT NAME OF STATE ENTERPRISE] Lands under **Article 21.6(E)** from time to time thereafter) and also shall use reasonable endeavours to facilitate the exercise by [INSERT OPERATOR NAME] and its contractors, sub-contractors, employees or agents, all easements, working rights, rights of way and liberties in respect of all such portions of the Contract Area on the terms herein contained.

**21.8 [INSERT OPERATOR NAME]'s Facilitation of Rights re [INSERT OPERATOR NAME]'s Areas**

Upon acquiring any Interest as contemplated in this **Article 21** on behalf of the Parties as to their Participating Interests, [INSERT OPERATOR NAME] shall, subject to any requisite consents, use reasonable endeavours to facilitate the exercise by [INSERT NAME OF STATE ENTERPRISE] for the duration of this Agreement full and co-extensive right and authority to explore, drill and get and search for Petroleum in **[INSERT OPERATOR NAME]'s Lands** where [INSERT NAME OF STATE ENTERPRISE] has decided to embark upon Exclusive Operations in accordance with the terms of this Agreement and shall also use reasonable endeavours to facilitate the exercise by [INSERT NAME OF STATE ENTERPRISE], its contractors and sub-contractors, employees or agents, all easements, working rights, rights of way and liberties in respect of such portions of [INSERT OPERATOR NAME]'s Lands.

**21.9 Additional Interests in Contract Area**

For the duration of the Licence, any additional interest or right to explore for or exploit Petroleum in the Contract Area acquired by either Party shall be subject to the rights of the other Party as contained in this Agreement.

**ARTICLE 22  
GENERAL PROVISIONS**

**22.1 Conduct of the Parties**

- (A) Each Party warrants that it and its Affiliates:

- (1) shall in the exercise of their obligations under this Agreement, fully comply with (i) all applicable laws of the Republic of Trinidad and Tobago; (ii) the laws of the country of incorporation of such Party or such Party's ultimate parent company and of the principal place of business of such ultimate parent company that prohibit tax evasion, money laundering, corruption or otherwise dealing in the proceeds of crime or the bribery of, or the providing of unlawful gratuities, facilitation payments, or other benefits to, any Public Official (*i.e. any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization*) or any political party or political party official or candidate for political office, officer or employee of a public international organization, such as the United Nations or the World Bank, or immediate family member (meaning a spouse, dependent child or household member) of any of the foregoing); and/or any other person; or (iii) the principles described in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries (the "Anti-Corruption Laws").
- (2) have not made, offered, or authorized and will not make, offer, or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any Public Official, where such payment, gift, promise or advantage would violate any Anti-Corruption Laws.

Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first Party of the above-stated warranties. Such indemnity obligation shall survive termination or expiration of this Agreement. Each Party shall in good time (i) respond in reasonable detail to any notice from any other Party reasonably connected with the above-stated warranties; and (ii) furnish applicable documentary support for such response upon request from such other Party.

- (B) Each Party agrees to (i) maintain adequate internal controls; (ii) properly record and report all transactions; and (iii) comply with the laws applicable to it. Each Party must rely on the other Parties' system of internal controls, and on the adequacy of full disclosure of the facts, and of financial and other data regarding the Joint Operations undertaken under this Agreement. No Party is in any way authorized to take any action on behalf of another Party that would result in an inadequate or inaccurate recording and reporting of assets, liabilities or any other transaction, or which would put such Party in violation of its obligations under the laws applicable to the operations under this Agreement. If a Party has a reasonable belief that the other Party failed to fulfil its obligations pursuant to Article 20.1(A), the Party shall have the right to audit all the other Party's records and information retained pursuant to Article 20.1(B) and the Party being audited shall take all reasonable steps to make such records and information available. Any exercise of audit rights pursuant to this Agreement will be carried out consistently with applicable antitrust laws.

## **22.2 Conflicts of Interest**

- (A) The Operator undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organizations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Agreement.
- (B) The provisions of the preceding paragraph shall not apply to: (1) The Operator's performance which is in accordance with the Licence or local preference laws or policies of the Government; or (2) The Operator's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with rules and procedures established by the Operating Committee and the terms of this Agreement.
- (C) In order to avoid any conflict of interest between a Party's own interests (including the interests of its Affiliates) and the interests of the other Parties in the award of contracts under this Agreement, the Operator shall procure that prospective contractors furnish to the Operator a conflict of interest declaration which shall indicate any interest and/or relationship the prospective contractor has in relation to any Party hereto.
- (D) Unless otherwise agreed, the Parties and their Affiliates are free to engage or invest (directly or indirectly) in an unlimited number of activities or businesses, any one or more of which may be related to or in competition with the business activities contemplated under this Agreement, without having or incurring any obligation to offer any interest in such business activities to any Party.

## **22.3 Public Announcements**

- (A) The Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations. Prior to issuing or making a public announcement or statement, all the Parties shall be furnished with a copy of such statement or announcement for comment and consideration and all Parties shall be required to consent to the issuing or making of such public announcement or statement provided that such consent may only be withheld where such Party can demonstrate to the reasonable satisfaction of the Operator that the content of such public announcement or statement is untrue or misleading or inimical to the interest of the Parties. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, the Operator is authorized to issue and make such announcement or statement without prior submission to or consent of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.
- (B) If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall, not less than five (5) Days prior to the release of the public announcement or statement, furnish all the Parties with a copy of such announcement or statement for comment and consideration by all of the other Parties and all Parties shall be required to consent to the issuing or making of such public

announcement or statement provided that such consent may only be withheld where such Party can demonstrate to the reasonable satisfaction of the Party seeking to make the public announcement or statement that the content of such public announcement or statement is untrue or misleading or inimical to the interest of the Parties; provided that, notwithstanding any failure to submit such announcement or statement to the other Parties, no Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates.

**22.4 Successors and Assigns**

Subject to the limitations on Transfer contained in **Article 12**, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

**22.5 Waiver**

No waiver by any Party of any one or more defaults by another Party in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Agreement no Party shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

**22.6 No Third-Party Beneficiaries**

Except as provided under **Article 4.6(B)**, the interpretation of this Agreement shall exclude any rights under legislative provisions conferring rights under a contract to persons not a party to that contract.

**22.7 Joint Preparation**

Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

**22.8 Severance of Invalid Provisions**

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

**22.9 Modifications**

Except as is provided in **Articles 11.2(B) and 22.8**, there shall be no modification of this Agreement or the Licence except by written consent of all Parties.

**22.10 Conflict**

In the event of any conflict between the provisions of the main body of this Agreement and its Exhibits, the provisions of the main body of this Agreement shall prevail.

**22.11 Counterpart Execution**

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

**22.12 Entirety**

With respect to the subject matter contained herein, this Agreement (i) is the entire agreement of the Parties; and (ii) supersedes all prior understandings and negotiations of the Parties.

**22.13 Further Documents and Acts**

Subject to the terms and conditions herein contained, the Parties agree to execute and deliver such additional instruments and do such further acts and things not expressly provided for or envisaged herein but as may be reasonably necessary in order to fully perform this Agreement.

**IN WITNESS** of their agreement each Party has caused its duly authorized representative to sign this instrument on the date indicated below such representative's signature.

**[INSERT NAME OF STATE ENTERPRISE]**

By:

Title:

Signature:

Date:

**[INSERT NAME OF OPERATOR]**

By:

Title:

Signature:

Date:

**EXHIBIT A**

Attached to and made part of the Joint Operating Agreement, hereinafter called the "Agreement," effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2022 by and between [NAME OF STATE ENTERPRISE] and [NAME OF OPERATOR].

**ACCOUNTING PROCEDURE**

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ACCOUNTING PROCEDURE

**SECTION 1  
GENERAL PROVISIONS**

**1.1 Purpose**

- 1.1.1** The purpose of this Accounting Procedure is to establish equitable methods for determining charges and credits applicable to operations under the Agreement which reflect the costs of Joint Operations to the end that no Party shall gain or lose in relation to other Parties.
- 1.1.2** It is intended that approval of the Work Programme and Budget and AFE's as provided in the Agreement shall constitute provisional approval of the allocation methods used therein to charge currently the Joint Account, but subject to verification by audit at a later date as provided in the Accounting Procedure.
- 1.1.3** The Parties agree, however, that if the methods prove unfair or inequitable to the Operator or Non-Operators, the Parties shall meet and in good faith endeavour to agree on changes in methods deemed necessary to correct any unfairness or inequity.

**1.2 Conflict with Agreement**

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the main body of the Agreement, the latter shall prevail.

**1.3 Definitions**

The definitions contained in Article 1 of the Agreement shall apply to this Accounting Procedure and have the same meanings when used herein. Certain terms used herein are defined as follows:

"**Accrual Basis**" shall mean that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability of the cost is incurred or the right to the benefit arises, regardless of when invoiced, paid, or received.

"**Base Currency**" shall mean U.S. Dollars.

"**Business Day**" carries the same meaning within Article 1.1 of the Agreement.



"**Cash Basis**" means that basis of accounting under which only costs actually paid and revenue actually received are included for any period.

"**Country of Operations**" shall mean the Republic of Trinidad and Tobago.

"**Material**" shall mean any personal property (including but not limited to equipment or supplies acquired by the Operator for the purpose of Joint Operations and charged to the Joint Account.

"**Month**" means calendar month and "**Monthly**" shall be construed accordingly.

"**Quarterly**" means each Calendar Quarter (as defined in Article 1.1 of the Agreement).

"**Section**" means a section of this Accounting Procedure.

#### **1.4 Joint Account Records and Currency Exchange**

- 1.4.1** The Operator shall at all times maintain and keep true and correct records of the production and disposition of all liquid and gaseous Petroleum, and of all costs and expenditures under the Agreement, as well as other data necessary or proper for the settlement of accounts between the Parties hereto in connection with their rights and obligations under this Agreement as may be required pursuant to the Licence and in compliance with all applicable income tax and other laws. With the exception of the accounting records maintained pursuant to **paragraph 1.4.2**, each of the Parties is responsible for maintaining its own accounting records to comply with all legal and tax requirements and to support all fiscal returns or any other accounting reports required by any governmental authority in regard to the Joint Operations. The Operator shall maintain its accounting records in its principal office in the Country of Operations.
- 1.4.2** The Operator shall maintain accounting records pertaining to Operations in accordance with generally accepted accounting practices used in the international petroleum industry and any applicable statutory obligations of the Country of Operations as well as the provisions of the Licence and Agreement.
- 1.4.3** Joint Account records shall be maintained by Operator in the English language and in the currency of the United States of America ("U.S.") (Base Currency). Conversions of currency shall be recorded at the rate actually experienced in that conversion. Currency translations for expenditures and receipts shall be recorded at the arithmetic average of the buying and selling exchange rates for the relevant Month in question as published by the Central Bank of Trinidad and Tobago. Expenditures made in any other currency than the Base Currency will be met out of advances made in U.S. Dollars unless otherwise decided by the Parties and the sum charged to the Joint Account shall be the actual cost in U. S. Dollars of the other currency purchased.
- 1.4.4** Any currency exchange gain or losses shall be credited or charged to the Joint Account, except as otherwise specified in this Accounting Procedure. It is the intent of the Parties that no Party shall incur an exchange gain or loss at the expense of, or to the benefit of any other Party.
- 1.4.5** The Accrual Basis for accounting shall be used in preparing accounts concerning the Joint Operations, with a reconciliation to the actual cash position.
- 1.4.6** This Accounting Procedure shall apply, mutatis mutandis, to Exclusive Operations in the same manner that it applies to Joint Operations; provided, however, that the charges and credits applicable to Consenting Parties shall be separately maintained. For the purpose of determining and calculating the remuneration of the Consenting Parties, including the premiums for Exclusive

Operations, the costs and expenditures shall be expressed in U.S. currency (irrespective of the currency in which the expenditure was incurred).

## **1.5 Statements and Billings**

**1.5.1** Unless otherwise agreed by the Parties, the Operator shall submit Monthly to each Party, on or before the (8th) day of each Month statements of the costs and expenditures incurred during the prior month prepared on an Accrual Basis, indicating by appropriate classification the nature thereof, the corresponding budget category, and the portion of such costs charged to each of the Parties.

These statements as a minimum, shall contain the following information:

- advances of funds setting forth the currencies received from each Party,
- the share of each Party in total expenditures,
- the current account balance of each Party,
- summary of costs, credits, and expenditures on a current Month, year-to-date, and inception-to-date basis or other periodic basis, as agreed by the Parties, (such expenditures shall be grouped by the categories and line items designated in the approved Work programme and Budget submitted by the Operator in accordance with article 6.4 of the Agreement so as to facilitate comparison of actual expenditure against the Work Programme and Budget,
- The statement of all charges and credits to the Joint Account shall contain details, as appropriate, relating to each Party's share of exploration appraisal cost, exploitation cost, operating cost, overhead charges, inventory and fixed asset, as well as, a statement of account summarizing cash advances and details of unusual charges and credits in excess of twenty thousand U.S Dollars (U.S. \$20,000) including any adjustments arising from audit reports.

**1.5.2** The Operator shall, upon request, furnish a description of the accounting classifications used by it.

**1.5.3** Amounts included in the statements and billings shall be expressed in US currency (Base Currency) and reconciled to the currencies advanced.

**1.5.4** Each Party shall be responsible for preparing its own accounting and tax reports to meet the requirements of the Country of Operations and of all other countries to which it may be subject, except those (if any) which the Operator is under a statutory obligation to prepare and submit on behalf of the Parties. The Operator, to the extent that the information is reasonably available from the Joint Account records, shall provide the Non-Operators in a timely manner with the necessary statements to facilitate the discharge of such responsibility.

## **1.6 Payments and Advances**

**1.6.1** Upon approval of any Work Programme and Budget, if Operator so requests, each Non-Operator shall advance its share of estimated cash requirements for the succeeding Month's operations ("Cash Call"). Each such Cash Call shall be equal to the Operator's estimate of the money to be spent adjusted for the current account balances of the Parties in the currencies required to

perform its duties under the approved Work Programme and Budget during the Month concerned. For informational purposes the cash call shall contain an estimate of the funds required for the succeeding two (2) Months detailed by the categories designated in the approved Work programme and Budget submitted by the operator in accordance with **Article 6.4** of the Agreement.

- 1.6.2** Each such Cash Call, detailed by major budget categories, shall be made in writing and delivered to all Non-Operators not less than fifteen (15) days before the payment due date. The due date for payment of such advances shall be set by the Operator but shall be no sooner than the first Business Day of the Month for which the advances are required. All advances shall be made without bank charges. Any charges related to receipt of advances from a Non-Operator shall be borne by that Non-Operator.
- 1.6.3** Each Non-Operator shall wire transfer its share of the full amount of each such Cash Call to the Operator on or before the due date, in U. S. Dollars and at a bank designated by the Operator.
- 1.6.4** Notwithstanding the provisions of **Section 1.6.2**, should the Operator be required to pay any sums of money for the Joint Operations which were unforeseen at the time of providing the Non-Operators with said estimates of its requirements, the Operator may make a written request of the Non-Operators for special advances covering the Non-Operators' share of such payments. Each such Non-Operator shall make its proportional special advances within ten (10) days after receipt of such notice.
- 1.6.5** If a Non-Operator's advances exceed its share of cash expenditures, the next succeeding cash advance requirements, after such determination, shall be reduced accordingly. A Non-Operator may request that its excess advances be refunded if such excess is projected to last more than thirty (30) days. The Operator shall make such refund within ten (10) Days after receipt of the Non-Operator's request provided that the amount is in excess of the requesting Non-Operator's share of the cash advance requirements for the succeeding Month.
- 1.6.6** If Non-Operator's advances are less than its share of cash expenditures, the deficiency shall, at Operator's option, be added to subsequent cash advance requirements or be paid by Non-Operator within ten (10) days following the receipt of Operator's billing to Non-Operator for such deficiency.
- 1.6.7** Payments of advances or billings shall be made on or before the due date. If these payments are not received by the due date the unpaid balance shall bear and accrue interest from the due date until the payment is received by the Operator at the Agreed Interest Rate. For the purpose of determining the unpaid balance and interest owed, the Operator shall translate to U.S. currency all amounts owed in other currencies using the currency exchange rate, readily available to the Operator at the close of the last Business Day prior to the due date for the unpaid balance as quoted by the applicable authority identified in **Section 1.4.3** of this **Section 1**.
- 1.6.8** Subject to governmental regulation, the Operator shall have the right, at any time and from time to time, to convert the funds advanced in or any part thereof to other currencies to the extent that such currencies are then required for operations. The cost of any such conversion shall be charged to the Joint Account.
- 1.6.9** The Operator shall endeavour to maintain funds held for the Joint Account in bank accounts at a level consistent with that required for the prudent conduct of Joint Operations and shall place such funds in interest bearing accounts.

**1.6.10** If under the Agreement, the Operator is required to segregate funds received from or for the Joint Account, the provisions under this **Section 1.6** for payments and advances by Non-Operators shall apply also to the Operator.

**1.6.11** Interest so earned shall accrue to the account of the Parties pro rata to the funds advanced by them, taking into consideration the date of funding by each Party and shall be repaid to the Parties on a Quarterly basis or as may be otherwise directed by the Operating Committee. A monthly statement summarizing receipts, disbursements, transfers to each joint bank account and beginning and ending balances thereof shall be provided by the Operator to the Parties. Any interest received by the Operator from the interest bearing accounts containing commingled funds from the Parties shall be credited to the Parties in accordance with the allocation procedure as set forth hereinabove in this paragraph **1.6.11**.

## **1.7 Adjustments**

Payments of any advances or billings shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by the Operator during any Calendar Year shall conclusively be presumed to be true and correct after twenty-four (24) Months following the end of such Calendar Year, unless within the said twenty-four (24) Month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of a Non-Operator to make claim against the Operator for adjustment within such period shall save as provided in **Section 1.8.3** establish the correctness thereof and preclude the filing of exceptions thereto or making claims for adjustment thereon. No adjustment favourable to the Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in **Section 7**. The Operator shall be allowed to make adjustments to the Joint Account after such twenty-four (24) Month period if these adjustments result from audit exceptions outside of this Agreement, third party claims, or Government requirements. Any such adjustments shall be subject to audit within the time period specified in **Section 1.8**.

## **1.8 Audits**

**1.8.1** A Non-Operator, upon at least sixty (60) days advance notice in writing to the Operator and all other Non-Operators, shall have the right to audit the Accounts and records of the Operator relating to the accounting hereunder for any Calendar Year within the twenty-four (24) Month period following the end of such Calendar Year. Non-Operators shall have reasonable access to the Operator's personnel and to the facilities, warehouses, and offices directly or indirectly serving Joint Operations. The cost of each such audit shall be borne by Non-Operators conducting the audit. It is provided, however, that subject as provided in **Section 1.8.3**, Non-Operators must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) Month period. Non-Operators may request information from the Operator prior to the commencement of the audit. The Operator will provide the information in electronic format or hard copy documents, if electronic format is not available. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct audits in a manner which will result in a minimum of inconvenience to the Operator. The Operator and Non-Operators shall make reasonable effort to resolve any claim resulting from an audit within a reasonable period of time.

Where the Operator does indicate that accounts and records pertaining to the Joint Account include information generally accepted as proprietary and confidential, then the Operator or its Affiliate shall provide annually to the Non-Operators a report from their statutory auditors, who is a recognised independent public accounting firm certifying that the charges billed from the Affiliates to the Joint Account represent a complete and accurate allocation of its costs to the Joint Operations and do not include an element of profit or duplication of costs, covered under Sections 2 and 3, and are consistent in application to all its activities. The report will be furnished within twelve (12) months of the request from the Non-Operator. The auditing Non-Operator may instruct the statutory auditor on the scope of such confirmation; however, the scope shall be subject to the approval of the Affiliate such approval not to be unreasonably withheld. The cost of providing such certificate shall be charged to the Joint Account.

Where the information that is required to be audited is considered as propriety and confidential and the auditing Non-Operator has not been provided with this report then none of these costs or charges, whether they be costs of the Operator or of the Affiliate of Operator, may be charged to the Joint Account, if the Operator does not furnish the audit report as provided above.

- 1.8.2** Any Party may audit the records of an Affiliate of another Party relating to that "Affiliate's charges under **Sections 2.6** and **2.7** (but without limitation to a Non-Operator's general rights of audit under this Accounting Procedure or the Agreement). The provisions of **Section 1.8.1** shall apply *mutatis mutandis* to such audits unless otherwise agreed by the Parties. Should such charges be rejected under the provisions of **Section 1.8.1** such charges shall be charged back to the Party whose Affiliate provided the service.

Any Party may audit the records of Operator's Affiliate relating to charges under **Section 2.7**. The provisions of **Section 1.8.1** shall apply *mutatis mutandis* to such audits unless otherwise agreed by the Parties.

Any Party may audit the records of a Non-Operator or its Affiliate relating to charges under **Section 2.7.2**. The provisions of **Section 1.8.1** shall apply *mutatis mutandis* to such audit, unless otherwise agreed by the Parties. Should such charges be rejected under the provisions of **Section 1.8.1**, such charges shall be charged back to the Party whose Affiliate provided the service.

- 1.8.3** At the end of each audit, the Parties shall endeavour to settle all outstanding matters and a written report will be circulated to all Parties within ninety (90) Days after the end of the audit, together The Operator shall use its best efforts to reply to each report in writing within ninety (90) Days following receipt of the report. Should the Non-Operators consider that the report or reply requires further investigation of any item therein, the Non-Operators shall have the right to conduct further investigation in relation to such matter notwithstanding that the said period of twenty-four (24) Months may have expired. Such further investigation shall be commenced within thirty (30) days and be concluded within sixty (60) days of such report or reply.

Any adjustment to the Joint Account resulting from any agreed audit exception or finding shall be included in the statement for the Month following when such adjustment was agreed by the Parties. The Operator shall provide sufficient details to enable such adjustment to be identified in the statement.

- 1.8.4** All unresolved internal audit exceptions shall be first submitted to the Operating Committee for settlement. If not resolved by the Operating Committee within sixty (60) days of its submission then any Party may refer the determination of the amount of the audit exceptions to an independent chartered or certified accountant agreed by the Parties but failing agreement on the accountant to be nominated within twenty-eight (28) days of any Party calling on the others to so agree, the accountant in question shall on the request of any Party be nominated by the President of the Institute of Chartered Accountants of Trinidad and Tobago. The determination of the accountant selected hereunder as to the amount of the audit shall be final and binding on the Parties and the accountant in so determining acts as an expert and not as an arbitrator. The accountant shall be requested to so determine within four (4) weeks of the reference to him and afforded like rights of access to information as afforded to the Non-Operators hereunder and to make copies thereof. The costs of the accountant shall be shared as to one half by the Non-Operators and as to the other half by the Operator. The costs of such Expert determination will be shared equally by all Parties.
- 1.8.5** Any information obtained by a Non-Operator under the provisions of this **Section 1.8** which does not relate directly to the Joint Operations shall be kept confidential and shall not be disclosed to any party, except as would otherwise be permitted by **Clauses 15.1(A)** of the Agreement.
- 1.8.6** In the event that "the" Operator is" required by law to employ a public accounting firm to audit the Joint Account and records of Operator relating to the accounting hereunder, the cost thereof shall be a charge against the Joint Account, and a copy of the audit shall be furnished to each Party.

## **1.9 Escrow Account**

Upon agreement of the Operating Committee, Operator shall establish an escrow account for the collection and disbursement of the estimated expenditure for the pollution, abandonment of wells and decommissioning of facilities.

## **1.10 Allocations**

If it becomes necessary to allocate any costs or expenditures to or between Joint Operations and any other operations, such allocation shall be made on an equitable basis. Upon request, the Operator shall furnish a description of its allocation procedures pertaining to these costs and expenditures for approval by Non-Operators, such approval not to be unreasonably withheld.

## **1.11 Abandonment**

Unless otherwise agreed by the Operating Committee, the treatment of accounting matters relative to any abandonment programme approved pursuant to the Agreement shall be in accordance with the provisions hereunder relating to Work Programmes and Budgets.

**SECTION 2  
DIRECT CHARGES**

The Operator shall charge to the Joint Account all costs and expenditures incurred in connection with Joint Operations in accordance with the provisions of the Agreement.

The costs and expenditures shall be recorded as required for the settlement of accounts between the Parties hereto in connection with the rights and obligations under the Agreement and for purposes of complying with the tax laws of the Country of Operations and of such other countries to which any of the Parties may be subject.

Without in any way limiting the generality of the foregoing, chargeable costs and expenditures may include:

**2.1 Licenses, Permits or Payments made pursuant to the Contracts, Etc.**

All costs, if any, attributable to the acquisition, maintenance, renewal or relinquishment of licenses, permits, contractual and/or surface rights acquired for Joint Operations and bonuses paid in accordance with the Licence when paid by the Operator in accordance with the provisions of the Agreement.

**2.2 Salaries, Wages and Related Costs**

**2.2.1** Salaries and wages, including everything constituting the employees' total compensation of:

- (a) the employees of Operator and its Affiliates in the Country of Operations directly engaged in Joint Operations whether temporarily or permanently assigned.
- (b) the employees of the Operator and its Affiliates outside the Country of Operations directly engaged in Joint Operations whether temporarily or permanently assigned, and not otherwise covered in **Section 2.7.2**.

**2.2.2** To the extent not included in salaries and wages in **Section 2.2.1**, the Joint Account shall also be charged with the cost to the Operator of holiday, vacation, sickness, disability benefits, living and housing allowances, travel time, customary bonuses, and other customary allowances applicable to the salaries and wages chargeable hereunder, as well as costs to the Operator for employee benefits, including but not limited to employee group life insurance, group medical insurance, hospitalisation, retirement, and other benefit plans of a like nature applicable to labour costs of the Operator.

**2.2.3** Expenditures or contributions made pursuant to assessments excluding assessments of personal income tax imposed by any applicable governmental authorities for payments with respect thereto or on account of such employees.

**2.2.4** Reasonable expenses (including related travel costs) of those employee salaries and wages are chargeable to the Joint Account under **Section 2.2.1** of this Section 2 and for which expenses the employees are reimbursed under the usual practice of the Operator.

**2.2.5** If employees are engaged in other activities in addition to the Joint Operations, the cost of such employees shall be allocated on an equitable basis, based on time sheets.

- 2.2.6** Employee charges to the Joint Account shall initially be based on budgeted daily rates inclusive of all the costs set out in **Sections 2.2.1 to 2.2.5**. Such rates shall be reviewed and, if appropriate, revised during the Calendar Year and at the end of each Calendar Year adjustments shall be made to reflect actual costs

**2.3 Employee Relocation Costs**

- 2.3.1** Except as provided in **Section 2.3.3**, the Operator's customary cost of employees' relocation to or from the Country of Operations where the employees will reside or work, whether permanently or temporarily assigned to the Joint Operations. If such employee works on other activities in addition to Joint Operations, such relocation costs shall be allocated on an equitable basis.
- 2.3.2** Such customary relocation costs shall include transportation of employees, immediate families, personal and household effects of the employee and family, transit expenses, and all other related costs in accordance with the Operator's usual practice.
- 2.3.3** Relocation costs from the vicinity Country of Operations to another location classified as a foreign location by the Operator shall not be chargeable to the Joint Account unless such foreign location is the point of origin of the employee or otherwise agreed by the Operating Committee.
- 2.3.4** When an employee's assignment to the Joint Operations is completed and the Operator elects to retain such employee for any other assignment outside the country of the employee's home base, the Joint Account shall bear no travel or moving expenses.

**2.4 Offices, Camps, and Miscellaneous Facilities**

Cost of maintaining any offices, sub-offices, camps, warehouses, housing, and other facilities of the Operator and/or Affiliates directly serving the Joint Operations. If such facilities serve operations in addition to the Joint Operations the costs shall be allocated to the properties served on an equitable basis.

**2.5 Material**

Cost, net of discounts taken by Operator, of Material purchased or furnished by the Operator. Such costs shall include, but are not limited to, export brokers' fees, transportation charges, loading, unloading fees, export and import duties and license fees associated with the procurement of Material and in-transit losses, if any, not covered by insurance. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for, and the cost thereof charged to, the Joint Account as may be required for the Joint Operations.

**2.6 Exclusively Owned Equipment and facilities of the Operator and its Affiliates**

Charges for exclusively owned equipment, facilities, and utilities of the Operator and its Affiliates at rates not to exceed the average commercial rates of non-affiliated third parties then prevailing for like equipment, facilities, and utilities for use in the area where the same are used hereunder. On request, the Operator shall furnish the Non-Operators a list of rates and the basis of application. Such rates shall be revised from time to time if found to be either excessive or insufficient, but not more than once every six (6) months.

Drilling tools and other equipment lost in the hole or damaged beyond repair may be charged at replacement cost less depreciation plus transportation costs to deliver like equipment to the location where used.



## 2.7 Services

- 2.7.1** The cost of services provided by third parties, including the Affiliates of the Operator other than those services covered by **Section 2.7.2**. Such charges for services by the Operator's Affiliates procured in accordance with the provisions of the Agreement shall not exceed those currently prevailing if performed by non-affiliated third parties, considering quality and availability of services.
- 2.7.2** The cost of services performed by the Operator's Affiliates technical and professional staffs not located within the Country of Operations. The cost for such services shall be supported by time sheets in accordance with the Operator's policies and procedures. Examples of such services include, but are not limited to the following:

Geological Studies and Interpretation  
Seismic Data Processing  
Well Log Analysis, Correlation and Interpretation  
Laboratory Services  
Well Site Geology  
Project Engineering  
Source Rock Analysis  
Petrophysical Analysis  
Geochemical Analysis  
Drilling Supervision  
Development Evaluation  
Accounting and Professional Services  
Other Data Processing

Costs shall include salaries and wages, lost time, governmental assessments, employee benefits, and reasonable expenses of such technical and professional staff and shall also include all support costs necessary for such staff to perform such services, such as, but not limited to, rent, utilities, support staff, drafting, telephone and other communications expenses, computer support, supplies, and depreciation.

- 2.7.3** The cost of services performed with the approval of the Operator by the technical and professional staffs of the Non-Operators and the Affiliates of the respective Non-Operators, including the cost to such Affiliates and Non-Operators of their respective secondees shall be chargeable to the Joint Account. The individual rates shall include salaries and wages of such technical and professional personnel and secondees, lost time, governmental assessments, and employee benefits. Costs (other than for secondees) shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited to, rent, utilities, support staff, drafting, telephone and other communication expenses, computer support, supplies, depreciation, and other reasonable expenses.
- 2.7.4** A Non-Operator shall bill the Operator for direct costs of services and of secondees charged under the provisions of **Section 2.7.3** on or before the last Day of each month for charges for the preceding Month. Within thirty (30) Days after receipt of a bill for such charges, the Operator shall pay the amount due thereon.

## **2.8 Insurance**

Premiums paid for insurance required by law or the Agreement to be carried for the benefit of the Joint Operations.

## **2.9 Damages and Losses to the Joint Property**

- 2.9.1** All costs or expenditures necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause. Operator shall furnish Non-Operators written notice of damages or losses incurred in excess of Twenty Thousand U.S. Dollars (U.S. \$20,000) as soon as practical after report of the same has been received by the Operator. All losses in excess of the foregoing sum shall be listed separately in the monthly statement of costs and expenditure.
- 2.9.2** Credits for settlements received from insurance carried for the benefit of the Joint Operations and from others for losses or damages to the Joint Property or Materials. Each Party shall be credited with its Participating Interest share thereof except where such receipts are derived from insurance purchased by the Operator for less than all Parties in which event such proceeds shall be credited to those Parties for whom the insurance was purchased in the proportion of their respective contributions toward the insurance coverage.
- 2.9.3** Expenditures incurred in the settlement of all losses, claims, damages, judgments, and other expenses for the account of the Joint Operations.

## **2.10 Litigation and Legal Expenses**

The costs and expenses of litigation and legal services necessary for the protection of the Joint Operations under this Agreement as follows:

- 2.10.1** Legal services necessary or expedient for the protection of the Joint Operations, and all costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, including reasonable attorneys' fees and expenses, together with all judgments obtained against the Parties or any of them arising from the Joint Operations (other than those between participants or in relation to claims made by the Non-Operators against the Operator or vice versa). Expenditures for legal services for any single matter costing in excess of Twenty Thousand U.S. Dollars (U.S.\$20,000) must be approved by in advance by the Operating Committee.
- 2.10.2** If the Parties or Operating Committee hereunder shall so agree, actions or claims affecting the Joint Operations hereunder may be handled by the legal staff of one or any of the Parties hereto; and a charge commensurate with the reasonable costs of providing and furnishing such services rendered may be made by the Party providing such service to the Operator for the Joint Account, but no such charges shall be made until approved by the Parties.

## **2.11 Taxes and Duties**

All taxes, duties, assessments and governmental charges, of every kind and nature, assessed or levied upon or in connection with the Joint Operations, other than any that are measured by or based upon the revenues, income and net worth of a Party.

If the Operator or an Affiliate thereof is subject to income or withholding tax as a result of services performed at cost for the operations under the Agreement, its charges for such services may be increased by the amount of such taxes incurred, (grossed up).

## **2.12 Other Expenditures**

Any other costs and expenditures incurred by the Operator for the necessary and proper conduct of the Joint Operations in accordance with approved Work Programmes and Budgets and not covered in this **Section 2** or in **Section 3**.

## **2.13 Non-Recoverable costs**

Costs and expenditures chargeable in accordance with the provisions of the Agreement and this Accounting Procedure which are not recoverable under the Contracts shall be specified separately in the relevant budget presented to the Operating Committee with an explanation and justification of these costs. They shall be itemised as separate line items in the Operator's statements.

### **SECTION 3 - ADMINISTRATIVE OVERHEAD**

#### **3.1 Purpose**

The Operator shall charge the Joint Account Monthly for the cost of indirect services and related office costs of the Operator and its Affiliates not otherwise provided in this Accounting Procedure. Indirect costs chargeable under **Section 3** represent the cost of general assistance and support services provided by the Operator and its Affiliates. These costs are such that it is not practical to identify or associate them with specific projects but are for services which provide the Joint Operations with needed and necessary resources which the Operator requires and provide a real benefit to Joint Operations. No cost or expenditure included under **Section 2** shall be included or duplicated under **Section 3**. The charges under Section 3 are not subject to audit under **Section 1.8.1** other than to verify that the overhead percentages are applied correctly to the expenditure basis.

#### **3.2 Amount**

**3.2.1** The indirect charge under **Section 3.1** for any month shall equal the greater of:

- (a) the total amount of indirect charges for the period beginning at the start of the Calendar Year through the end of the period covered by the Operator's invoice ("Year-to-Date") determined under **Section 3.2.2**, less indirect charges previously made under **Section 3.1** for the Calendar Year in question production bonuses, taxes and rental payments calculated on the following scale (U.S. Dollars), or,
- (b) the amount of the minimum assessment determined under **Section 3.2.3**, calculated on an annualized basis (but reduced pro rata for periods of less than one year), less indirect charges previously made under **Section 3.1** for the Calendar Year in question, production bonuses, taxes and rental payments.

**3.2.2** Unless exceeded by the minimum assessment under **Section 3.2.3**, the aggregate Year-to-Date indirect charges shall be a percentage of the Year-to-Date expenditures, calculated on the following scale (U.S. Dollars):

Annual Expenditures

For Exploration and Development Expenditures: 0.75% (zero point seven five percent) of such Expenditures, excluding Minimum Work Obligations.

For Production Expenditures: 0.5% (zero point five percent) of such Expenditures, excluding Minimum Work Obligations.

- 3.2.3** A minimum amount of One Thousand US Dollars (U.S. \$1,000) shall be assessed each Month and shall be reduced pro rata for periods of less than a Month.

### **3.3 Exclusions**

The expenditures used to calculate the monthly indirect charge shall not include the indirect charge (calculated either as a percentage of expenditures or as a minimum monthly charge), rentals on private mineral rights or surface rights acquired and maintained for the Joint Account, guarantee deposits, pipeline tariffs, concession acquisition costs, bonuses paid in accordance with the Contracts, royalties and taxes on production or revenue to the Joint Account paid by the Operator, expenditures associated with major construction projects, for which a separate indirect charge is established hereunder payments to third parties in settlement of claims, and other similar items.

Credits arising from any government subsidy payments, disposition of Material, and receipts from third parties for settlement of claims shall not be deducted from total expenditures in determining such indirect charge.

### **3.4 Changes**

The indirect charges provided for in this **Section 3** may be amended periodically by mutual agreement between the Parties if, in practice, these charges are found to be insufficient or excessive.

## **SECTION 4 ACQUISITION OF MATERIAL**

### **4.1 Acquisitions**

Materials purchased for the Joint Account shall be charged at net cost paid by the Operator. The price of Materials purchased shall include, but shall not be limited to export broker's fees, insurance, transportation charges, loading and unloading fees import duties, license fees, and demurrage (retention charges) associated with the procurement of Materials, and applicable taxes, less all discounts taken.

### **4.2 Materials Furnished by the Operator**

Materials required for operations shall be purchased for direct charge to the Joint Account whenever practicable, except the Operator may furnish such Materials from its stock under the following conditions:

- 4.2.1 New Materials (Condition "1"). New Materials transferred from the warehouse or other properties of the Operator shall be priced at net cost determined in accordance with **Section 4.1** above, as if the Operator had purchased such new Material just prior to its transfer;

Such net costs shall in no event exceed the then current market price.

4.2.2 Used Materials (Conditions "2" and "3")

- 4.2.2.1 Material which is in sound and serviceable condition and suitable for use without repair or reconditioning, shall be classed as Condition "2" and priced at seventy five percent (75%) of such new purchase net cost at the time of transfer;
- 4.2.2.2 Materials not meeting the requirements of **Section 4.2.2.1** above, but which can be made suitable for use after being repaired or reconditioned, shall be classed as Condition "3" and priced at fifty percent (50%) of such new purchase net cost at the time of transfer. The cost of reconditioning shall also be charged to the Joint Account provided the Condition "3" price, plus cost of reconditioning, does not exceed the Condition "2" price; and provided that Material so classified meet the requirements for Condition "2" Material upon being repaired or reconditioned.
- 4.2.2.3 Material which cannot be classified as Condition "2" or Condition "3", shall be priced at a value commensurate with its use.
- 4.2.2.4 Tanks, derricks, buildings, and other items of Material involving erection costs, if transferred in knocked-down condition, shall be graded as to condition as provided in this **Section 4.2.2** of **Section 4**, and priced on the basis of knocked-down price of like new Material.
- 4.2.2.5 Material including drill pipe, casing and tubing which is no longer useable for its original purpose but is useable for some other purpose, shall be graded as to condition provided in in this **Section 4.2.2** of **Section 4**. Such Material shall be priced on the basis of the current price of items normally used for such other purpose if sold to third parties.

**4.3 Premium Prices**

Whenever Material is not readily obtainable at prices specified in **Sections 4.1** and **4.2** of this **Section 4** because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred procuring such Material, in making it suitable for use, and moving it to the Contract Area provided each Non-Operator shall have the right by so electing and notifying the Operator to furnish in kind all or part of his share of such Material which is suitable for use and acceptable to the Operator both as to quality and time of delivery.

Such acceptance by the Operator shall not be unreasonably withheld. If Material furnished is deemed unsuitable for use by the Operator, all costs incurred in disposing of such Material or returning Material to owner shall be borne by the Non-Operator furnishing the same unless otherwise agreed by the Parties. If a Non-Operator fails to properly submit notification of the election to furnish such Material within a timely period, the Operator is not required to accept Material furnished in kind by that Non-Operator. If the Operator fails to submit proper notification prior to billing Non-Operators for such Material, the Operator shall only charge the Joint Account on the basis of the price allowed during a "normal" pricing period in effect at time of movement.

#### **4.4 Warranty of Material Furnished by the Operator**

The Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by the Operator from the manufacturers or their agents.

### **SECTION 5 - DISPOSAL OF MATERIALS**

#### **5.1 DISPOSAL**

The Operator shall be under no obligation to purchase the interest of Non-Operators in new or used surplus Materials. The Operator shall have the right to dispose of Materials but shall advise and secure prior agreement of the Operating Committee of any proposed disposition of Materials having an original cost to the Joint Account either individually or in the aggregate of twenty thousand US Dollars (US \$20,000) or more. When the Joint Operations are relieved of Material charged to the Joint Account, the Operator shall advise each Non-Operator of the original cost of such Material to the Joint Account so that the Parties may eliminate such costs from their asset records. Credits for Material sold by the Operator shall be made to the Joint Account in the Month in which payment is received for the Material. Any Material sold or disposed of under this Section shall be on an "as is, where is" basis without guarantees or warranties of any kind or nature. Costs and expenditures incurred by the Operator in the disposition of Materials shall be charged to the Joint Account.

#### **5.2 Material Purchased by a Party or its Affiliate**

Material purchased from the Joint Property by a Party or an Affiliate thereof shall be credited by Operator to the Joint Account, with new Material valued in the same manner as new Material under **Section 4.2.1** and used Material valued in the same manner as used Material under **Section 4.2.2**, unless otherwise agreed by the Operating Committee.

#### **5.3 Division in Kind**

Division of Material in kind, if made between the Parties, shall be in proportion to their respective interests in such Material. Each Party will thereupon be charged individually with the value (determined in accordance with the procedure set forth in **Section 5.2**) of the Material received or receivable by it.

#### **5.4 Sales to Third Parties**

Material purchased from the Joint Property by third parties shall be credited by the Operator to the Joint Account at the net amount collected by the Operator from the buyer. If the sales price is less than the value determined in accordance with the procedure set forth in **Section 5.2**, then approval by the Operating Committee shall be required prior to the sale. Any claims by the buyer for defective materials or otherwise shall be charged back to the Joint Account if and when paid by the Operator.

**SECTION 6  
RECEIPTS**

**6.1 Receipts**

The Operator shall promptly credit the Joint Account with all sums received in connection with the Joint Operations as a result of:

- 6.1.1** sale of Material and other Joint Property;
- 6.1.2** services provided to third parties or individual Parties by the Operator on behalf of the Parties whether using Material and equipment, other Joint Property, facilities, expertise or otherwise;
- 6.1.3** reimbursement by third parties of any sums expended by the Operator on behalf of the Parties;
- 6.1.4** insurance claims made by the Operator in respect of insurance carried for the benefit of all the Parties;
- 6.1.5** claims made by the Operator on behalf of the Parties;
- 6.1.6** Material and equipment returned to the Operator or any of its Affiliates from the Joint Operations;  
or
- 6.1.7** any other event giving rise to a receipt by the Operator on behalf of the Parties.

**SECTION 7  
INVENTORIES**

**7.1 Periodic Inventories - Notice and Representation**

At reasonable intervals, but at least annually, inventories shall be taken by the Operator of all Material on which detailed accounting records are normally maintained. The expense of conducting periodic inventories shall be charged to the Joint Account. The Operator shall give the Non-Operators written notice at least sixty (60) Days in advance of its intention to take inventory, and the Non-Operators, at their sole cost and expense, shall each be entitled to have a representative present. The failure by any of the Non-Operators to be represented at such inventory shall bind such Non-Operator to accept the inventory taken by the Operator who shall in that event furnish each Non-Operator with a reconciliation of overages and shortages. Inventory adjustments to the Joint Account shall be made for overages and shortages. Any adjustment equivalent to Twenty Thousand US Dollars (U.S.\$20,000) or more shall be brought to the attention of the Operating Committee.

**7.2 Special Inventories**

Whenever there is a sale or change of a Participating Interest in the Agreement, a special inventory may be taken by the Operator provided the seller and/or purchaser of such interest agrees to bear all of the expense thereof. In such cases, both the seller and the purchaser shall be entitled to be represented and shall be governed by the inventory so taken.

**EXHIBIT B**

Attached to and made part of the Joint Operating Agreement, hereinafter called the "Agreement," effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2022 by and between [NAME OF STATE ENTERPRISE] and [NAME OF OPERATOR].

**[Map to be inserted] MAP OF LICENSED AREA**



**EXHIBIT C**

Attached to and made part of the Joint Operating Agreement, hereinafter called the "Agreement," effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2022 by and between [NAME OF STATE ENTERPRISE] and [NAME OF OPERATOR].

**POWER OF ATTORNEY  
(Article 8.4(E))**

**THE REPUBLIC OF TRINIDAD AND TOBAGO**

**POWER OF ATTORNEY**

**THIS POWER OF ATTORNEY** given on the \_\_\_\_\_ day of \_\_\_\_\_, [20 ] by [INSERT NAME OF COMPANY] ("the Company"), a company duly incorporated under [INSERT DETAILS] of the Laws of the Republic of Trinidad and Tobago with its registered office situate at [INSERT ADDRESS] WITNESSES as follows:

**1. Definitions**

"Agreement" means the Joint Operating Agreement effective as of the \_\_\_\_\_ day of \_\_\_\_\_, [20 ] between [INSERT NAME OF STATE ENTERPRISE], [Party A] and [INSERT NAME OF OPERATOR] [Party B];

"Attorney" means the person appointed as attorney of the Company in accordance with Article 3 hereof;

**2. Commencement and Limitation**

The Company's Attorney may not begin to act under this instrument until such time as the conditions as stated in Article 8.4(D) of the Agreement have been satisfied.

**3. Appointment and Powers**

The Company appoints [NAME] of [ADDRESS] whom failing [NAME] of [ADDRESS] to be the true and lawful Attorney for and in the name of and on behalf of the Company:

- 3.1 to sign or as the case may be execute and deliver such agreements and documents as may be necessary to transfer the Company's Participating Interest (as defined in the Agreement) in accordance with Article 8.4(D) of the Agreement;
- 3.2 to execute and do all such other acts, deeds, matters and things as in the opinion of the Attorney shall be needful or expedient in and about the premises or for any of the purposes hereof and to execute all necessary instruments containing all the clauses proper for the validity hereof;
- 3.3 to make such minor amendments (including correction of dates or cross references to dates in any of the aforesaid instruments) as the said Attorney may deem appropriate; and
- 3.4 to register these presents and to do all other acts, deeds and things which may be necessary for rendering these presents valid and effectual to all intents and purposes.

#### **4. Compliance and Protection of Third Parties**

The Attorney in exercising the powers hereby conferred shall conform to the regulations and direction for the time being imposed on or given to the said Attorney by the Company PROVIDED ALWAYS that no person dealing with the said Attorney shall be concerned to see or enquire whether the said Attorney is or is not acting in accordance with such regulations or directions and notwithstanding any breach of such regulations or directions committed by the said Attorney in respect of any deed or instrument the same shall as between the Company and the person dealing with such Attorney be valid and binding on the Company to all intents and purposes.

#### **5. Ratification**

The Company hereby ratifies and confirms and agrees to ratify and confirm whatsoever shall be lawfully done by the said Attorney under or by virtue of these presents including in such confirmation whatsoever shall be done between the date of revocation hereof and the time of such revocations becoming known to the Attorney.

#### **6. Construction**

This Power of Attorney shall be governed by and construed in accordance with the Laws of the Republic of Trinidad and Tobago.

#### **7. Nature of this Power of Attorney**

This Power of Attorney has been executed by the Company as a deed.

**IN WITNESS** whereof the Company has caused its Common Seal to be hereunder affixed this day of \_\_\_\_\_, [20 ]

THE COMMON SEAL of ..... )  
was hereunto affixed by ..... Secretary )  
in the presence of .....Director )  
by order and authority of the Board of Directors )  
of the Company and in conformity with the Articles )  
of Incorporation and By-Laws of said Company )  
and signed by them in presence of: )