

ANNEX C

TO THE.....

**PRODUCTION SHARING
CONTRACT**

PARTICIPATION AGREEMENT

**FORM OF AGREEMENT CONCERNING
FUTURE PARTICIPATION AREAS**

Date: _____

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PREAMBLE

This Participation Agreement, made and entered into on this ____day of the month of 20__, by

..... incorporated under the laws of having an established place of business at

..... incorporated under the laws of having an established place of business at

..... incorporated under the laws of having an established place of business at

..... incorporated under the laws of having an established place of business at

WHEREAS the Republic of Cameroon on the one part, and ----- on the other part have, on ----- entered into a Production Sharing Contract concerning the Contract Area (hereafter referred to as "the Contract") ;

WHEREAS the Contract provides that in the event the Republic of Cameroon should decide to participate in the financing and conduct of Petroleum Operations during the Development and Exploitation Phase, the Republic of Cameroon and the **CONTRACTOR** shall enter into a participation agreement, which agreement is the subject of this Annex C to the Contract;

WHEREAS the Republic of Cameroon has decided to exercise its option under Article 12 of the Contract with regard to the Exploitation Area [*insert name of Exploitation Area*] (hereafter referred to as "the Participation Area");

WHEREAS the Parties wish to set forth the terms and conditions whereby the Republic of Cameroon has agreed to participate in the Petroleum Operations in respect of the Participation Area.

NOW, THEREFORE, the Parties have agreed as follows:

ARTICLE 1: INTERPRETATION - DEFINITIONS

1.1 For purposes of application of this Participation Agreement, terms in the singular shall include the plural, and vice versa. Except where the context specifies otherwise:

"[name of the Participation Area] Account" means the accounts maintained by the Operator to record all transactions related to operations in the Participation Area under this Participation Agreement.

"Joint Property of [name of the Participation Area]" means movable and real property acquired and held for use in connection with operations under this Participation Agreement.

"Joint Operations" means those Petroleum Operations carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties.

"Budget" means, for the purposes of this Participation Agreement, the forecast estimate of the cost of a Participation Work Program.

"The REPUBLIC" means, in this Participation Agreement, the Cameroonian State in its capacity as sovereign power, exercising the rights, prerogatives and obligations ascribed to the REPUBLIC of Cameroon pursuant to the Contract and all public persons or other entities, agencies or administrations authorized or empowered by it, as well as the physical persons representing them.

"The STATE" used hereafter for purposes of this Participation Agreement means the Cameroonian State in its capacity as a member of the **CONTRACTOR** and for whom the management of its interests in this capacity is undertaken by the Societe Nationale des Hydrocarbures, as well as any assignee of the rights and obligations of the STATE pursuant to Article 9.2.2 of this Participation Agreement.

"Non-Operator" means a Party other than the Operator.

"Exploitation Committee" means the committee organised under Article 4 of this Participation Agreement.

"Participating Interest" means the respective undivided interest of each Party in the Participation Area pursuant to Article 2.2 of this Participation Agreement.

"Participation Area" means the Exploitation Area that is the subject of the Exploitation Authorisation granted by Decree No. ___ of ___, the subject of this Participation Agreement.

"Participation Date" means the date of the granting of the Exploitation Authorisation pertaining to the Participation Area.

"Participation Work Program" means Joint Operations programmed under this Participation Agreement, excluding Sole-Risk operations provided in Article 11 below.

"Party(ies)" means all of the legal entities constituting the **CONTRACTOR**, and their successors and assigns, including, for purposes of this Participation Agreement, the **STATE**.

"Private Oil Company" means ----- and its respective possible successors and assigns, excluding the STATE, under conditions set forth in the Contract and this Participation Agreement.

"In Kind Premium" means the grant of an interest in production made pursuant to Article 11.13(b) of this Participation Agreement by a Non-Sole-Risk Party to reinstate its rights under a Sole-Risk Project.

1.2 Terms not defined in this Participation Agreement but which are defined in the Contract have the meanings given to them by the Contract unless specifically indicated otherwise in Article 1.1 above.

1.3 Nothing in this Participation Agreement shall be construed to abridge or adversely affect any right of the Parties to the Contract.

ARTICLE 2: PURPOSE - PARTICIPATING INTEREST

2.1 The purpose of this Participation Agreement is to establish the conditions under which the Parties shall undertake Petroleum Operations in the Participation Area in accordance with the Contract.

2.2 Pursuant to Article 12.4 of the Contract, each entity constituting the **CONTRACTOR** as of the Participation Date has assigned a share of its Participating Interest in the Participation Area to the **REPUBLIC**, so that the rights, interest and obligations of the Parties in the Participation Area shall be owned by the Parties, as from the Participation Date, in undivided interests as follows:

STATE percent (%)
----- percent (%)
-----. percent (%)

2.3 In the event that a Party assigns all or part of its percentage of Participation Interest pursuant to the provisions of Article 9.2 of this Participation Agreement, the percentages of Participation Interest of the Parties shall be adjusted as necessary in accordance with said assignment.

ARTICLE 3: OPERATOR AND DUTIES OF OPERATOR

3.1 -----, or its designated Affiliate, shall serve as the Operator until it resigns or is removed pursuant to the provisions of this Article, or until it ceases to hold a Participating Interest. In the event that the Operator assigns the whole of its percentage of Participating Interest to one of its Affiliates, such Affiliate shall become the Operator in its place.

3.2 Removal

3.2.1 Subject to Article 3.2.2 of this Agreement, upon the affirmative vote of all the Non-Operators, the Operator may be removed from its functions in the following circumstances:

- (i) In the event of a Change of Control of the Operator, either directly or indirectly, except for a transfer of control to an Affiliated Company. Within a period of ninety (90) Days from the notification by the Operator of such occurrence, it shall be the Non-Operator's responsibility to decide whether or not to remove the Operator. Such decision shall be taken only if there is a substantial change in the capacity of the Operator to fulfill its obligations deriving from this Participation Agreement due to the Change of Control.

For purposes of this Article 3.2.1 (i), "Change of Control" of the Operator shall mean any transaction that would result in the transfer to a Party or to a third party other than an Affiliated Company more than fifty per cent (50%) of the voting shares in a board of directors meeting of the Operator by any procedure whatsoever, such as merger, spin-off, sale or any other procedure resulting in a transfer of control.

- (ii) If the Operator fails to perform a fundamental obligation under this Agreement and has either failed to start to remedy that breach within sixty (60) Days of receipt of a written notification from Non-Operators detailing the alleged breach, or failed to diligently pursue the cure to completion.

3.2.2 If the Operator contests:

- i. in the case of Article 3.2.1 (i) of this Agreement, that the Change of Control results in a substantial change in the capacity of the Operator to fulfill its obligations deriving from this Participation Agreement , or
- ii. in the case of Article 3.2.1 (ii), that it has failed to perform a fundamental obligation under this Agreement and has either failed to start to remedy that breach within sixty (60) Days of receipt of a written notification from Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion,
- iii. and the dispute is then submitted to arbitration pursuant to the provisions of Article 15 below, the appointment of a new Operator shall not take place as long as the dispute is not settled by agreement of the Parties or by arbitration.

3.2.3 In the following cases, the Operator shall be deemed to have rightfully resigned by the simple occurrence of any of the following events:

- (i) If the Operator or its parent company becomes insolvent, is placed in receivership or bankruptcy reorganization, in liquidation of its assets or is unable to make payments due;

- (ii) In the event of total assignment of its Participating Interest to a third party other than an Affiliate, effected in accordance with the provisions of Articles 9.2 to 9.5 hereafter.

3.3 Resignation

The Operator may resign as Operator after having given the other Parties notice thereof in writing. Such resignation shall be effective either:

- one hundred twenty (120) Days after the date of notice, or
- on the date on which a successor Operator appointed by the Parties shall in accordance with this Participation Agreement be ready and able to assume its obligations as Operator in accordance with all the provisions of this Participation Agreement, whichever shall first occur.

3.4 If an Operator resigns or is removed, a successor Operator shall immediately be appointed by the Exploitation Committee. A Party that has been removed as Operator may not vote to succeed itself as Operator. Such appointment shall be made by a vote in the manner prescribed in Article 4.6.1 below. For purposes of this Article, Operator shall include all of its Affiliates holding a Participating Interest in this Participation Agreement.

3.5 Removal or resignation of an Operator allows the continuance of the rights and obligations of the removed or resigning Operator as a Non-Operator Party to this Participation Agreement. Such removal or resignation shall in no way harm such rights and obligations. On the effective date of the removal or resignation, the successor Operator shall succeed to all duties, rights and authority prescribed for the Operator, and the Operator shall deliver to the successor Operator all the Joint Property of [name of Participation Area] ancillary equipment, books of account, registries, data, interpretations, information and all rights acquired or preserved by the Operator pertaining to the Joint Operations for the [name of Participation Area] Account. Moreover, the Operator shall, with the successor Operator, prepare an inventory of the Joint Property of [name of Participation Area], adjusting the [name of Participation Area] Account accordingly, as well as an audit of the books and records of the removed or resigning Operator, and shall cooperate as much as possible in effecting a smooth transfer of operating responsibilities. A change in Operator shall not relieve the departing Operator of any of its responsibilities and obligations in effect prior to the date of changeover. The former Operator shall no longer be liable for any obligations or responsibilities as Operator as of the effective date of transfer to the new Operator of all the items set forth in this Article 3.5, as such effective date is formally recognized by the latter.

3.6 Should there be a change in Operator under the provisions of Article 3.5 above, all objectively necessary costs resulting therefrom and as determined by the Exploitation Committee, shall be charged to the [name of Participation Area] Account.

3.7 The Operator shall solely conduct Joint Operations in the Participation Area subject to the directives of the Exploitation Committee and shall have exclusive custody of all Joint Property and ensure its security, and shall perform its duties under this

Participation Agreement diligently and in accordance with the Participation Work Programmes and budgets and the Contract.

3.8 The Operator shall:

- 3.8.1 Prepare and propose to the Exploitation Committee all Participation Work Programmes and corresponding Budgets for approval, before submitting them to the Operating Committee, as well as all modifications it deems necessary to these Participation Work Programmes and corresponding Budgets;
- 3.8.2 Comply with the decisions of the Exploitation Committee, and conduct the Joint Operations in the Participation Area in accordance with good and prudent oil field practices currently followed by the international petroleum industry;
- 3.8.3 Keep all Joint Property of the Participation Area free of any liens;
- 3.8.4 Pay promptly the costs of the Petroleum Operations incurred under this Participation Agreement and properly invoice the Non-Operators;
- 3.8.5 Act consistently with the principle that it shall not make a profit nor suffer a loss as a result of its role as Operator. In the case of such losses or profits, these shall be shared between the Parties in proportion to their Participating Interest;
- 3.8.6 Acquire all permits, permissions, approvals and easements for rights of way or occupancy which may be necessary in order to properly carry out the Joint Operations in the Participation Area;
- 3.8.7 Make certain that the Contract remains valid and in effect, and pay to the **REPUBLIC** on behalf of the [*name of Participation Area*] Account any taxes, duties and other miscellaneous payments required by the Contract and by the Petroleum Legislation, other than taxes and payments which are the responsibility of the **STATE**, or those applying directly and individually to each Private Oil Company, pursuant to the Contract and to current legislation and regulation.
- 3.8.8 Take all necessary and appropriate precautions for the safety of persons and property, especially in case of emergency.
- 3.8.9 Prepare the Abandonment Plan for the Participation Area and its revisions, open and manage the Abandonment Account in the name and for the account of **CONTRACTOR**, in accordance with the decisions reached by the Exploitation Committee and the Operating Committee.
- 3.8.10 Timely provide Non-Operators with information, reports, data and documents pertaining to the Joint Operations, except those data, information and documents related to proprietary know-how and technology of the Operator.
- 3.8.11 Quickly provide Non-Operators with information pertaining to accidents, and required by insurers of the Parties.

- 3.9** For the conduct of Joint Operations, the Operator may freely choose its personnel and that of its Affiliates, and its own resources or services rendered by its Affiliates pursuant to the conditions set forth in Article 8.2.5 of the Contract.
- 3.10** The Operator shall, pursuant to Article 3.8.1 above, manage the preparation, submission and execution of the Participation Work Program and corresponding Budget for Joint Operations related to the Participation Area as follows:
- 3.10.1 Within sixty (60) Days after the date of execution of this Agreement, the Operator shall deliver to the Parties a proposed Participation Work Program and corresponding Budget detailing the Joint Operations to be performed in the Participation Area for the remainder of the current Calendar Year. Within thirty (30) Days of such delivery, the Exploitation Committee shall meet to consider and to endeavor to agree on a Participation Work Program and corresponding Budget.
- 3.10.2 Not later than one hundred and twenty (120) Days prior to the end of each Calendar Year, the Operator shall deliver to the Parties a proposed Participation Work Program and corresponding Budget detailing the Joint Operations to be performed in the Participation Area for the following Calendar Year and the allocation of funds, including administrative overheads and third-party expenditure, in accordance with the Supplemental Accounting Procedure annexed hereto as "Exhibit "A". Within thirty (30) Days of such delivery, the Exploitation Committee shall meet to examine and to endeavor to agree on a Participation Work Program and corresponding Budget.
- 3.10.3 In the event services or goods are provided to the Joint Operations by a third party other than the Operator or its Affiliates, the forecast cost or estimate of which exceeds three hundred thousand U.S. Dollars (US\$300,000) during the Exploration Phase or four hundred thousand U.S. Dollars (US\$400,000) during the Development and Exploitation Phase, or if the cost exceeds any amount set by the Operating Committee, the Operator must, except for valid reasons, proceed with a call for bids.
- 3.10.4 Where it is necessary in order to complete an expenditure in a Budget item in the approved Participation Work Program, the Operator may exceed the Budget for the item for an amount equal to ten per cent (10%) of the budget item. The Operator shall promptly report such excess Budget expenditure to the Non-Operators.
- 3.10.5 The Operator may spend a maximum of two and a half percent (2.5%) of the total budget for Joint Operations in the Participation Area for the said Joint Operations in the Participation Area for a budget item not included in an approved Participation Work Program, provided that such expenditure shall not be for an item previously rejected by the Exploitation Committee, and an amount equal to five percent (5%) of a budget item amount in case of a revision of the work programme of a budget item. The Operator shall promptly report such expenditures to the Non-Operators and, subject to approval in accordance with Article 4.6, the Operator may make further expenditure for said budget item.

3.10.6 The limits imposed by this Article 3.10 may be changed by a unanimous decision of the Exploitation Committee.

3.10.7 The restrictions contained in this Article 3.10 shall be without prejudice to Operator's rights to make expenditures as set out in Article 3.8.8. In the event of an emergency, the Operator may make such immediate expenditure and take such immediate action as it deems necessary for the protection of human life or property and the prevention of pollution. The Operator shall promptly inform the Parties of such an emergency expenditure.

3.11 A Non-Operator may inspect the Participation Area, the Joint Operations, the books of account, records and other information pertaining thereto in Operator's possession. For this purpose, the Operator shall allow the other Parties, at such Parties own risk and expense, access to the sites where Joint Operations are conducted in the Participation Area, to data gathered as a result of said operations, and to their analyses and interpretation. Such visits, the dates and programmes for which shall be set by agreement with the Operator, which agreement cannot be withheld without valid reason, shall not disrupt the Operator's performance.

The Operator shall supply on a daily basis to the Non-Operators by means of telephone, telecopy, email, or telex, Drilling and production reports and such other written reports customarily provided by an Operator to a Non-Operator in the international petroleum industry, including, without limitation, results of well tests, core analysis, drilling logs and velocity surveys. The Operator shall also furnish any information reasonably requested by a Non-Operator, to the extent that the work of Operator's personnel is not excessively disrupted thereby.

3.12 The Operator shall obtain and keep in force all insurance policies required by Petroleum Legislation and by the Contract, as well as such other insurance as the Exploitation Committee may prescribe. The cost of insurance policies to which all Parties contribute shall be charged to the [*name of Participation Area*] Account and the costs of insurance policies to which only certain Parties contribute shall be charged to the latter. With respect to any insurance policy, Operator shall:

3.12.1 Inform the Parties participating therein in a timely manner of the effective date of the insurance coverage, and provide them with copies of the relevant policies;

3.12.2 Arrange so that the contributing Parties, according to their respective percentage of Participating Interest, are named as co-insured on the relevant policies with waivers of subrogation in favour of the Parties; and

3.12.3 Duly file all claims, take any necessary steps to collect any proceeds and credit same to the current accounts of the participating Parties, according to their respective percentage of Participating Interest.

Any Party may choose not to participate in an insurance policy chosen by the Exploitation Committee, provided that such Party:

a) Promptly notifies the Operator in this regard;

- b) Does nothing which would impede the negotiations of the Operator to obtain such insurance coverage for the benefit of the other Parties; and
- c) Obtains and keeps in force an insurance policy or other proof of solvency as may be required by the Exploitation Committee for the purposes of fully insuring its Participating Interest share of the same risks as those covered by the insurance policy obtained by the Operator. Satisfaction of such requirement shall not, however, absolve the non-participating Party from its obligations to meet a payment demand, to cover any amounts paid as compensation for damages and losses, and the cost for payment of damages for such compensation settlement and losses. If such Party obtains insurance other than that of the Operator, such insurance shall include a waiver of subrogation in favour of all the other Parties and the Operator.

If the Operator is unable to obtain the insurance coverage required by the Exploitation Committee, it shall so advise the Parties and thereafter, it shall be discharged of its obligation to obtain such insurance coverage.

The Operator shall make arrangements so that the businesses participating in the Joint Operations, and their subcontractors, obtain insurance coverage which meet the requirements of the Petroleum Legislation and the Contract, both in risks covered as well as in amounts, as well as any other coverage which the Operator and the Exploitation Committee may require. They shall also obtain from their insurers a waiver of subrogation in favor of the Parties who are also shown as insured persons.

Each Party shall, in respect of its percentage of Participating Interest, obtain and keep in force any insurance policies or other evidence of financial responsibility as may from time to time be required by the Exploitation Committee, the Petroleum Legislation or the Contract, covering tort liability towards third parties in connection with the Joint Operations. At the simple request of the Exploitation Committee, each Party shall be required to produce such evidence of insurance or financial responsibility as the Exploitation Committee may reasonably require. All policies shall provide for a waiver of subrogation in favor of the other Parties.

3.13 Without prejudice to the provisions of Article 3.12, the Operator shall represent the Parties and shall defend or oppose all claims or litigation arising from the Joint Operations other than claims and litigation which may arise between or among the Parties, and shall settle any such claims or litigation which charges the [*name of Participation Area*] Account an amount not exceeding one hundred thousand U.S. Dollars (US\$100,000), court or procedural costs, and arbitrator and lawyers' fees not included, without referring the matter further to the Exploitation Committee. The Operator shall obtain the prior approval of the Exploitation Committee for the settlement of any dispute or legal proceedings involving an amount in excess of one hundred thousand U.S. Dollars (US\$100,000). A Non-Operator shall have the right to be represented at its own expense during any negotiation for the purpose of a transaction and during any legal proceedings.

If a dispute should arise between a Non-Operator and a third party relative to the Joint Operations, or which may impact upon same, such Non-Operator shall promptly so notify the other Parties. It shall either defend against the claims of the third party or

settle same, pursuant to the instructions that it will have received from the Exploitation Committee, it being understood that the amount of damages and legal expenses involved shall be chargeable to the [*name of Participation Area*] Account.

Notwithstanding anything contained in this Article 3.13, each Party shall have the right to participate in any such suit, prosecution, defense or settlement conducted in accordance with this article at its sole cost and expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Exploitation Committee that it can do so without prejudicing the interests of the Joint Operations.

- 3.14** Except as otherwise provided in this Participation Agreement and in the Contract, the Operator shall fulfill the reporting obligations of the **CONTRACTOR** required under the Contract.
- 3.15** In the case of any proposed goods or services contracts for the Joint Operations where the total anticipated cost or estimate thereof exceeds three hundred thousand U.S. Dollars (US\$300,000) or is greater than any amount set by the Exploitation Committee, the Operator must obtain competitive bids pursuant to Article 8.5 of the Contract, unless there is a valid reason not to do so.
- 3.16** Subject to the provisions of Article 13 below, the Party acting as Operator shall not, by virtue of being Operator, be responsible for costs, expenses and compensation for damages that it may incur during the performance of its obligations as Operator. However, this Article 3.16 shall not exempt the Party acting as Operator from bearing its Participating Interest share of all costs, expenses, losses and other obligations that may arise in the framework of the Joint Operations.

ARTICLE 4: EXPLOITATION COMMITTEE AND WORK PROGRAMMES

- 4.1** The Parties shall create an Exploitation Committee to supervise and control the Joint Operations.
- 4.1.1 The Exploitation Committee shall meet in Yaoundé, Cameroon, unless it decides upon another meeting location. The Exploitation Committee shall consist of one (1) representative appointed by each Party. Each Party shall also appoint one (1) alternate.
- 4.1.2 Each Party shall, as soon as possible after the Participation Date of this Participation Agreement, notify the other Parties of the names of its representative to the Exploitation Committee and its alternate. Such representative and alternate may be replaced after notice to the other Parties. Representatives may bring to meetings of the Exploitation Committee such advisors as they consider necessary. The representative of a Party or, in his absence, the alternate, shall be deemed authorized to represent and bind such Party with respect to any matter within the jurisdiction of the Exploitation Committee.
- 4.1.3 The Operator shall prepare the call to meeting and agenda for the meetings, as well as all the documents necessary for review of the items on the agenda for the Exploitation Committee, shall chair said Committee, and shall draft and have the minutes of the meeting approved.

- 4.1.4 The Operator shall have the exclusive right and obligation to represent the CONTRACTOR in all dealings with the Operating Committee with respect to matters arising under this Agreement and the Joint Operations.
- 4.2** Except as otherwise provided in this Participation Agreement, the powers and duties of the Exploitation Committee are as follows :
- 4.2.1 The decision-making authority concerning any matter pertaining to general guidelines to be applied to Joint Operations;
- 4.2.2 The review, revision, approval or rejection of all proposed Participation Work Programmes and corresponding Budgets prepared by the Operator and submitted pursuant to the provisions of this Participation Agreement;
- 4.2.3 Any decision regarding the planning and location of all wells to be drilled under this Participation Agreement, and any change in the use or status of a well;
- 4.2.4 The formulation and, if applicable, the adoption of all decisions pertaining to any issue arising from the Joint Operations which the Parties may refer to it.
- 4.3** The Exploitation Committee shall determine the frequency of its meetings, but at least one meeting shall be held semi-annually. When major Joint Operations are contemplated or in progress, the frequency of meetings may be increased to one per Quarter if all Parties agree. In addition, the Operator or two Non-Operators may call a special meeting at any time. A Non-Operator may call a special meeting of the Exploitation Committee only one time a Year.
- 4.4** A request to call a meeting of the Exploitation Committee shall state (i) the date, time and location of such meeting, (ii) the purpose for such meeting and (iii) the agenda of the matters and proposals to be considered and/or voted upon. A Party, by written 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. On the request of a Party, and with the unanimous consent of all Parties, the Exploitation Committee may consider at a meeting a proposal not contained in such meeting agenda. Except in an emergency, the Operator or the other Parties calling the meeting shall give the Parties at least fifteen (15) Days advance written notice. When an emergency necessitates a meeting, the Operator shall give the Parties as much notice as possible.
- 4.5** The Operator may, rather than call a meeting, submit matters for decision to the Parties by written notice, and each Party may vote within the period prescribed in the notice, which shall be between three (3) and fifteen (15) Days from the date such notice is received. A Party that does not vote within the timeframe provided above shall be deemed to have voted in the negative. Notwithstanding, if the vote concerns a decision regarding a Joint Operation where a rig is on location, a Party failing to vote shall be deemed to have cast an affirmative vote. In the event of an emergency, the aforesaid timeframes may be reduced by Operator if necessary. A vote by mail, including telecopy, that arrives on time is admitted, a telecopy to be confirmed by the

sender by mail. The Operator shall notify the Parties of all decisions taken in accordance with this Article 4.5.

4.6 Each representative, or in his absence, his alternate, shall have voting rights equal to the Participating Interest of the Party such person represents.

4.6.1

- (i) Unless otherwise provided in this Participating Agreement, all decisions, approvals and other actions of the Exploitation Committee on all proposals coming before it shall be decided by unanimous consent of the Exploitation Committee. However, when the Exploitation Committee cannot arrive to a decision by unanimous consent, such proposal(s) shall be approved by an affirmative vote of one (1) or several Parties which are not Affiliates, having collectively at least sixty percent (60%) of Participating Interests;
- (ii) For purposes of deciding if the Parties wish to renew an Exploitation Authorization, the Operator shall call a meeting of the Exploitation Committee which shall be held in a timeframe permitting compliance with the three year prior notification timeframe for requesting a renewal set forth in Article 30 (1) of the Petroleum Regulation. If applicable, the provisions of Article 9.1.6 hereafter shall be applied by the Exploitation Committee.

4.6.2 The decisions of the Exploitation Committee shall be taken in writing and signed by the participating Parties prior to the end of the meeting. The Operator shall cause the initialed minutes of the proceedings to be distributed to the Parties within twenty (20) Days after the meeting.

4.7 The Operator shall draft and submit to the representative of the Parties for signature before the end of each Exploitation Committee meeting the resolutions adopted by the Committee and, for issues that could not be adopted by the Committee, a summary of the positions adopted by each Party at each vote. Moreover, the Operator shall prepare written minutes of each meeting of the Exploitation Committee and shall send a copy to the Parties for possible comment within twenty (20) Days of the meeting date, and for approval within fifteen (15) Days of receipt. A non response by a Party within the thirty-five (35) Days prescribed above shall be deemed a tacit approval of the minutes circulated by the Operator.

4.8 The Operator shall, on a timely basis, call a meeting of the Exploitation Committee in order to allow the latter to deliberate and rule upon all Participation Work Programmes and Budgets, which must thereafter be submitted for the approval of the Operating Committee as per the provisions of Article 7.2.1 of the Contract.

4.9 The Exploitation Committee may decide to establish such advisory committees it deems desirable. The Exploitation Committee shall specify in writing the organisation, duties and *modus operandi* of such committees.

ARTICLE 5: COSTS AND EXPENSES - RECOVERY OF PETROLEUM COSTS

5.1 Except as otherwise specifically provided in the Contract or in this Participation Agreement, all Petroleum Costs and other expenses incurred in the conduct of Joint Operations in the Participation Area under the Contract or this Agreement shall be

borne and recovered by the Parties in proportion to their respective Participating Interests.

- 5.2 For purposes of this Participation Agreement, Petroleum Costs incurred by the Operator shall exclude all interest and financing fees pertaining to loans contracted by the Parties to finance the contributions to the costs and expenses identified above.
- 5.3 All Petroleum Costs incurred by the Operator in the conduct of Joint Operations shall be determined in accordance with the provisions of the Contract, its Accounting Procedure as supplemented by the provisions of the Supplemental Accounting Procedure, Exhibit "A" to this Participation Agreement, and Article 6 below. The Operator shall keep its accounting records of such costs and expenses in accordance with such texts.
- 5.4 Unless otherwise provided in this Participation Agreement, if a Party incurs civil liability pursuant to a Joint Operation, the cost of the damages and interests shall be the responsibility of all Parties, pursuant to Article 13 below.

ARTICLE 6: BANK ACCOUNTS AND PAYMENTS TO THE OPERATOR

- 6.1 Each Party shall pay when due its share of Participating Interest in the expenses chargeable to the [*name of Participation Area*] Account, including cash calls, and in the case of a late payment, the interest accruing thereto, in accordance to this Participation Agreement and with the Supplemental Accounting Procedure.
- 6.2 The Operator shall open one or several bank accounts (hereafter referred to as "the Joint Bank Accounts") for [*name of Participation Area*], separate and distinct from its own bank accounts as a Party, into which all funds received to finance Joint Operations shall be deposited and from which all payments shall be made, in accordance with Article V of the Supplemental Accounting Procedure, Exhibit A.

Any excess cash in the Joint Bank Accounts shall be invested in short-term interest-bearing deposits that shall be owned by the Parties according to their percentage of Participating Interest or their financing percentage, as the case may be.
- 6.3 Until expiry of the Contract, the Operator shall retain the statements (including a record of investments) for the Joint Bank Accounts, to be provided along with any cash calls sent to the Parties.
- 6.4 Subject to having given the Parties fifteen (15) Days' advance notice, Operator may require the Parties to make an advance payment of their share of the estimated expense for the following month, citing the required date of payment and the currency required, it being understood, however, that such required date of payment must be the same for all Parties. Subject to a written notice to the Parties fifteen (15) Days in advance, the Operator may at any time make additional cash calls in order to cover unexpected expenses.
- 6.5 In order to prevent excess liquidity from accumulating in the Joint Bank Accounts, the Operator may, if applicable, adjust the schedule of cash calls.
- 6.6 If any Party's advances for a given period exceed its share of corresponding amounts due for the same period, the next cash call shall be correspondingly reduced.

ARTICLE 7: DEFAULT IN PAYMENT

- 7.1** Where a Party fails to pay when due its Participating Interest share of a cash call or an invoice issued by the Operator under this Participation Agreement, said Party shall be declared in default (hereafter, "Defaulting Party"). The Operator, or any non-Defaulting Party in the case Operator is the Defaulting Party, shall immediately notify all Parties of the default in payment (hereinafter be referred to as "Notice of Default").
- 7.2** If the Defaulting Party remains in default for at least fourteen (14) Days, the non-Defaulting Parties shall pay to the Operator, at the latter's request, a portion of the amount not paid by the Defaulting Party, which shall be proportional to the respective Participating Interest of the non-Defaulting Parties.
- 7.2.1 If a non-Defaulting Party fails to pay the Operator its proportionate share in the timeframe prescribed, that Party shall itself be in immediate default. While waiting for the payments of non-Defaulting Parties on behalf of the Defaulting Parties, the Operator, in order to comply with contractual obligations, may either borrow from external entities of its choice or advance the sums itself with agreement of the non-Defaulting Parties. In both these cases the resulting costs and expenses, including interest, shall be billed to the non-Defaulting Parties and shall be added to the defaulted amounts of the Defaulting Party.
- 7.2.2 All payments made by a Defaulting Party shall be credited in the Joint Bank Account to the benefit of the non-Defaulting Parties, in proportion to the payments the latter have made for the account of the Defaulting Party. If within thirty (30) Days of notification pursuant to Article 7.1 above, the Defaulting Party has not repaid its defaulted amounts, the sums so advanced by a non-Defaulting Party shall automatically become a due debt of the Defaulting Party, payable on simple demand, without notice and bearing interest as provided below, and this notwithstanding the abandonment of Petroleum Operations or the termination of the Contract. The Operator, or by default the most diligent non-Defaulting Party, shall have the right to legally pursue any Defaulting Party, at the expense of the latter, to obtain payment of all amounts due by any Defaulting Party to any non-Defaulting Party.
- 7.3** Any late payment shall bear interest at the annual LIBOR rate plus five (5) percentage points per annum. Such interest shall be calculated monthly as of the due date of the payment, and shall be credited to the Joint Bank Account for the benefit of the non-Defaulting Parties in proportion to their percentages of Participating Interest.
- 7.4** A Party which remains in default of a payment obligation for at least thirty (30) Days shall have no right to receive information, nor to attend or vote at any of the Exploitation Committee meetings for as long as it remains a Defaulting Party. However, any decisions of the Exploitation Committee made during such period shall be binding upon the Defaulting Party. For voting purposes, the Participating Interest of the Defaulting Party shall be deemed to be shared on a pro rata basis between the non-Defaulting Parties during the period of the default in payment. Any matters requiring a unanimous vote of the Parties shall not require the vote of the Defaulting Party. The Defaulting Party shall be deemed to have elected not to participate in any Joint Operations or Sole-Risk Projects that are voted upon at least thirty (30) business

Days after the date of the Default Notice but before all of its defaults have been remedied. 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 that period.

7.5 In the event that a default in payment takes place while Joint Operations are in progress prior to the Date of First Production of Commercial Hydrocarbons, and the Defaulting Party remains in a position of default in payment for more than ninety (90) Days, such Defaulting Party shall be deemed to have terminated its involvement in this Participation Agreement in accordance with this Article 7.5.

7.5.1 The Defaulting Party shall no longer be considered as a Party to this Participation Agreement, effective on the date of the non-Defaulting Party's written notice. The percentage of Participating Interest of the Defaulting Party, as well as the rights attached thereto pursuant to this Participation Agreement (hereafter, the "Defaulted Interest") shall be deemed shared between the non-Defaulting Parties as beneficial owners, free of any liens and encumbrances except those arising for the benefit of the non-Defaulting Parties, in proportion to the percentage of Participating Interest which each bears in the aggregate percentage of Participating Interest of all non-Defaulting Parties, or in such other proportion as the non-Defaulting Parties may agree between themselves.

The Defaulting Party shall, without delay following any request from the non-Defaulting Parties, do any and all acts required to be done by applicable law or regulation in order to render such transfer legally valid, including, without limitation, obtaining all governmental consents and approvals, and shall execute any and all documents, and take such other actions as may be necessary in order to effect a prompt and valid transfer of the interests described above.

7.5.2 Subsequent to a forfeiture made pursuant to Article 7.5.1, the Defaulting Party shall have the right to recover the debt owed from each of the non-Defaulting Parties within the limits prescribed below.

- (a) Each non-Defaulting Party shall be required to reimburse the Defaulting Party for a portion of the cash advances and payments made by the latter under Article 7.2 above which has not been recovered by the Defaulting Party through its share of Reimbursement Oil and/or Reimbursement Gas pursuant respectively to the provisions of Articles 13 and 22 of the Contract, and which has been credited to the percentage of Participating Interest of the Defaulting Party, from the Participation Date up to the date when the default in payment occurred; and
- (b) The payments referred to in paragraph (a) above correspond to the fraction consisting of the share of each non-Defaulting Party in all of the Defaulted Interest, not exceeding an amount equal to a share of the "Net Proceeds of Sale" (as defined below) of said non-Defaulting Party, which share corresponds to the percentage ratio of the share of Defaulted Interest transferred to said non-Defaulting Party in the aggregate percentage of Participating Interest held by the non-Defaulting Party, after such transfer; and

- (c) Any amount calculated and payable to the Defaulting Party under this Article 7.5 shall be paid not later than ninety (90) Days after the date of calculation of the Net Proceeds of Sale under Article 7.5.3 below.

7.5.3 Each non-Defaulting Party shall calculate within two (2) months following the end of each Quarter the total amount of the Net Proceeds of Sale to which it is entitled. "Net Proceeds of Sale" as used in this Article 7.5 shall be the sum calculated each Quarter according to the following formula:

$$NPS = \frac{MV - (A + B)}{2} - C$$

where :

"NPS" means the Net Proceeds of Sale;

"MV" means the sales of Hydrocarbons at the International Market Value of Petroleum calculated in accordance with Title XIII of the Petroleum Regulation, and attributable to said non-Defaulting Party's percentage of Participating Interest, which Hydrocarbons have been lifted by such Party; and

"A" means the total of all remittances on cash calls and other payments (not provided for in "B" below), paid by said non-Defaulting Party, in accordance with its percentage of Participating Interest ; and

"B" means all other costs, actual or deemed, as from the grant of the Exploitation Authorization, and the provisions for future costs relative to the Participation Work Programmes (including abandonment costs) which said non-Defaulting Party may from time to time reasonably justify ; and

"C" means the total of all amounts previously paid to the Defaulting Party by said non-Defaulting Party under the provisions of this Article 7.5.

7.6 In the event that a default in payment occurs after the Date of First Production of Commercial Hydrocarbons coming from the [name of Participation Area], and the default in payment lasts for more than thirty (30) Days,

7.6.1 Each Defaulting Party hereby recognizes and accepts that as from the date of the notification identified in Article 7.1 above, it may neither undertake nor have undertaken any lifting whatsoever of quantities of Hydrocarbons from the Participation Area to which it would have a right pursuant to Articles 13.1, 13.2 and 22.3 of the Contract, if it had not been a Defaulting Party.

7.6.2 For these purposes, each Party to this Participation Agreement, in the event it becomes a Defaulting Party, grants in advance an irrevocable mandate to the Operator for the entire term of this Participation Agreement to:

- (1) lift said quantities of Hydrocarbons in the place of the Defaulting Party;
- (2) sell or have sold said quantities of Hydrocarbons up to the amounts due, under commercially acceptable conditions in regard to the circumstances,

with deduction made for expenses and other charges incurred by the Operator in relation to this sale;

- (3) allocate by priority the proceeds of the sale of these Hydrocarbons to the reimbursement of all amounts due to the non-Defaulting Parties, including interest, costs and expenses payable by the Defaulting Party pursuant to this Article 7;
- (4) deposit the corresponding amounts for the Abandonment reserves in the Abandonment Account; and
- (5) credit the surplus, if any, to the account of the mandating Defaulting Party.

7.7 The rights and recourses existing in favour of the non-Defaulting Parties in accordance with the provisions of this Participation Agreement and especially this Article 7 are deemed to be cumulative and not alternative, and can be added to all other rights and recourses capable of being exercised by the non-Defaulting Parties.

The provisions of Article 7.5 above shall apply when the default persists for more than 12 calendar months or if the same Party is in default more than once during any consecutive twelve (12) month period.

7.8 The obligations of the Defaulting Party and the rights of the non-Defaulting Parties shall survive the abandonment of Joint Operations and termination of this Agreement.

ARTICLE 8: RELATIONSHIP BETWEEN THE PARTIES AND TAX PROVISIONS

- 8.1** The Parties hereby declare that it is not their intention by entering into the Participation Agreement to create or to be considered as a joint company or any other legal entity.
- 8.2** Tax payments owed to the STATE shall be paid in the manner specified in the Contract and in its Annex B, the Accounting Procedure.
- 8.3** 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 obligations under the Petroleum Legislation.

ARTICLE 9: WITHDRAWAL AND TRANSFERS

- 9.1** Any Party wishing to withdraw from the Participation Area or wishing that the total Participation Area be relinquished voluntarily shall so notify the other Parties in writing accordingly, specifying the reasons for its proposal, and thereafter;
 - 9.1.1 Each Party shall, within thirty (30) Days after receipt of said notice, inform the other Parties in like manner whether it concurs with or opposes the proposed withdrawal;
 - 9.1.2 If all the Parties concur with the proposed withdrawal, the Participation Area shall be relinquished as soon as possible in accordance with the provisions of the Contract;

- 9.1.3 If at least one Party opposes the proposed withdrawal (hereafter referred to as the "Opposing Party"), each Party desiring the withdrawal shall transfer and convey, free and clear of all liens, charges and encumbrances and without right to compensation, all of its interest in the Participation Area and in the Contract to the Opposing Party. Each Opposing Party shall be required to accept such transfer, in proportion to its percentage of Participating Interest which it respectively holds in the aggregate percentages of Participating Interest of all Parties opposed to the withdrawal, subject to any agreement to the contrary between such Parties. The transferring Party shall be responsible for:
- (i) its Participating Interest share of the costs, expenses and disputed matters and items chargeable to the Participation Area for the period prior to the effective date of such transfer of its Participating Interest;
 - (ii) its Participating Interest share of the Petroleum Costs incurred by the Operator after said effective date under any contracts entered into by the Operator in execution of a Participation Work Programme previously approved by the Exploitation Committee;
 - (iii) its Participating Interest share of the estimated Petroleum Costs for Abandonment associated with all Participating Work Programmes previously approved by the Exploitation Committee; and
 - (iv) its Participating Interest share of all obligations arising under the Contract which are not included in paragraphs (i) or (ii) or (iii) above. In such case, the transferring Party shall not later claim any rights pursuant to the provisions of this Participation Agreement.
- 9.1.4 A transfer under Article 9.1.3 above shall be effective as among the Parties thirty (30) days after the Opposing Party's receipt of the first written notice proposing the withdrawal. Each transferring Party shall hold the proportional fraction(s) of the percentage of Participating Interest on behalf of the Opposing Parties to the withdrawal until the transfer has received whatever approvals may be necessary under the provisions of the Contract and the Petroleum Legislation. All Parties involved in the transfer shall complete and deliver such documents and execute such instruments as may be necessary in order to give legal effect to such transfer, obtain all approvals as may be required by the **STATE** and otherwise to give effect to the provisions of this article, with all the actual expenses arising from the transfer for the sole account of the transferring Party.
- 9.1.5 The transferred interest of the withdrawing Party shall be unencumbered by liens or other pledges. The withdrawing Party commits to providing its actual support to any proceeding or other action necessary to obtain any possible approvals in relation to this withdrawal and the transfers deriving therefrom, with all necessary resulting expenses for the sole account of the withdrawing Party.
- 9.1.6 If the unanimity required under Article 4.6.1 is not obtained for agreeing on the renewal of the Exclusive Exploitation Authorisation, the renewal shall be requested for the sole benefit of the Parties wishing to participate in it. In such case, the provisions of Articles 9.1.3, 9.1.4 and 9.1.5 above shall be applied *mutatis mutandis*.

- 9.2** Any assignment of its Participating Interest by a Party shall take place in accordance with Article 23 of the Contract and with Articles 9.2 to 9.5 below. Each Party has the right to assign all or a part of its Participation Interest in the rights and obligations of the Participation Area pursuant to the Contract and this Agreement, it being agreed that:
- 9.2.1 Except in the case of assignment of all its Participating Interest, no partial assignment shall result in the percentage Participation Interest of the assigning Party or the assignee being less than twenty per cent (20%) for Private Oil Companies and five per cent (5%) for the **STATE**, except by prior written agreement of the Parties.
- 9.2.2 The **STATE** may only assign all or part of its Participation Interest and the corresponding rights attached to another public agency or to the Private Oil Companies in proportion to their Participation Interests, unless otherwise unanimously agreed between the latter.
- 9.2.3 The assigning Party shall bear all the actual costs generated by the assignment.
- 9.3** An assignee other than an Affiliate or a Party may not acquire any right in the Participation Area pursuant to the Contract and this Agreement as long as the other Parties have not given their written consent to the proposed assignment. Such consent can only be refused in the event the assignee does not provide proof, to the reasonable satisfaction of each Party, of its capacity to assume all the obligations resulting from the Contract and this Agreement.
- 9.4** Any Party wishing to assign all or a part of its Participation Interest in this Participation Agreement and the Contract for the Participation Area to a third party other than an Affiliate or to any other Party shall, after having established the conditions for the assignment with the assignee, notify same to the STATE.
- 9.4.1 Such notice shall include the identity of the offer or, the terms and conditions - including financial terms - offered in good faith, and all other relevant particulars.
- 9.4.2 For the period of thirty (30) Days following the receipt of such notice, the STATE shall enjoy a pre-emptive right for all of the interest proposed to be sold on the same terms as agreed between the Party wishing to assign and the prospective assignee.
- 9.4.3 If within such thirty (30) Day period, the STATE does not exercise its pre-emptive right for said interest, the sale may take place under the terms and conditions set forth in the notice, provided that the sale and transfer shall be completed within six (6) months from the date of such notice, and in accordance with the Contract and with the Petroleum Legislation.
- 9.5** The conditions imposed by Article 9.4 shall not apply to assignments of a percentage of Participating Interest made by a Party to one of its Affiliates, nor to transfers resulting from a merger, consolidation, reorganization or sale of capital stock of the parent company of a Party, nor for any assignment when the above notice is issued prior to the Date of First Production of Commercial Hydrocarbons.

- 9.6** An assignment shall provide that the assignor remains liable for obligations incurred before the date of assignment and such obligations shall become the obligations of the assignee as from the effective date of such assignment.
- 9.7** For purposes of applying this Article, an assignment shall mean a change of ownership, sale or other conveyance with respect to the percentage of Participating Interest of a Party.

ARTICLE 10: LIFTING OF PRODUCTION

- 10.1** Subject to Article 7.6.1 above, each Party has the right and the obligation to lift each year the proportionate share of Hydrocarbons to which it has a right pursuant to this Agreement from the share to which **CONTRACTOR** is entitled under the Contract, and to dispose of it as it sees fit.
- 10.2** **CONTRACTOR's** entitlement to Hydrocarbons shall be shared among the Parties in proportion to their actual respective contributions to costs incurred under the Contract and not yet recovered, up until such time as the Parties that have contributed to Exploration Costs have recovered such Exploration Costs, with the understanding that Exploitation Costs first, followed by Development Costs and finally Exploration Costs, in that order, shall be deemed to have been recovered before all other costs resulting from the share of Hydrocarbons to which such Parties are entitled.
- 10.3** Within one hundred and eighty (180) Days following the signing of this Participation Agreement, the Parties shall enter into a supplemental lifting agreement which will complete the agreement on lifting procedures referred to in Article 17 of the Contract, for the purpose of detailing the methods by which the Parties share **CONTRACTOR's** lifting rights for the quantities of Hydrocarbons to which it is entitled under the provisions of the Contract.

ARTICLE 11: SOLE-RISK OPERATIONS

- 11.1** Any Party may undertake Petroleum Operations at its sole risk in the Participation Area, in accordance with the provisions of this Article. Such sole-risk Petroleum Operations, which include not only Drilling and the construction phase of the project but also operations connected with sole-risk facilities, are hereinafter referred to as "Sole-Risk Projects".
- 11.2** The following are the only types of Sole-Risk Projects which may be proposed:
- 11.2.1 The Drilling (excluding deepening, sidetracking or re-completion of a well originally drilled pursuant to a Joint Operation), completion and equipping for production of an Exploration well within the Participation Area in order to test a formation in which no well has been completed on behalf of all Parties as a well producing or capable of producing Hydrocarbons; or
- 11.2.2 The Drilling, completion and equipping for production of an Appraisal well designed to delineate a Discovery made pursuant to the Exploration well described in 11.2.1 above; or

11.2.3 The development of a Discovery made pursuant to the Exploration well described in 11.2.1 above; or

11.2.4 Construction of storage and transportation facilities the purpose of which is not to accelerate the rate of production of Hydrocarbons from the Participation Area.

No Sole-Risk Project may be conducted which conflicts with a Joint Operation.

11.3 The conduct of a project in the Participation Area may not be the subject of a Sole-Risk notice under this Article unless it has been proposed in proper form to the Exploitation Committee for consideration as a Joint Operation pursuant to the provisions of Article 4 of this Agreement, and has not been approved by the Exploitation Committee within the period provided.

In the event that such project fails to obtain the requisite approval of the Exploitation Committee, then any Party may serve Sole-Risk notice within the time frames specified below to the other Parties of its intention to carry out said project involving operations essentially the same as those proposed for such Joint Operation at its sole risk.

- a) For proposals involving the use of a drilling rig that is standing by in the Contract Area, such notice right shall be exercisable for twenty-four (24) hours after the time specified in Article 4.5 of this Agreement has expired;
- b) For proposals to develop a Discovery, such notice right shall be exercisable for sixty (60) Days after the date the Exploitation Committee was required to consider such proposal pursuant to Article 4.5 of this Agreement;
- c) For all other proposals, such notice right shall be exercisable for thirty (30) Days after the date the Exploitation Committee was required to consider such proposal pursuant to Article 4.5 of this Agreement.

Such Sole-Risk notice shall specify that such operation is proposed as a Sole Risk Project, the work to be performed, the location, and the objectives and estimated cost of such operation. The other Parties may give counter-notice within (i) twenty-four (24) hours in the case of 11.3(a) above, (ii) thirty (30) days in the case of 11.3(b) above, and (iii) twenty (20) days in the case of 11.3(c) above after receipt of such Sole Risk notice in which they state their decision to participate in the Project. The period set forth in this article shall be extended for a length of time unanimously agreed by the Parties as may be necessary or desirable for the collection and acquisition of additional information on the Sole-Risk Project. Failure of a Party to whom a Sole-Risk notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed Sole-Risk Project.

11.4 If all the Parties elect to participate in the Sole Risk Project within the time period specified in Article 11.3 of this Agreement, such Project shall be deemed approved by the Exploitation Committee as a Joint Operation pursuant to the provisions of Article 4.8 of this Participation Agreement.

11.5 In the event one or many Parties elect to participate in the Sole-Risk Project, such Parties (hereinafter referred to as "Sole-Risk Parties") shall be entitled to carry out the

Sole-Risk Project. Parties electing not to participate in the Sole-Risk Project, or those failing to properly reply to notice pursuant to Article 11.3 above, are hereinafter referred to as “Non Sole-Risk Parties”.

The participating interests of the Sole-Risk Parties in the Sole-Risk Project shall be either in proportion to their Participating Interest in this Participation Agreement, or in such other proportion as the Sole-Risk Parties may agree. The Sole-Risk Parties shall bear in accordance with the participating interests agreed herein the entire cost and liability of conducting the Sole-Risk Project and shall indemnify the Non Sole-Risk Parties from any and all costs and liabilities incurred incident to such Sole-Risk Project (including but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or any other similar indirect damages or losses arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control and environmental amelioration or rehabilitation) and shall keep the Exploitation Area free and clear of all liens and encumbrances of every kind created by or arising from such Sole-Risk Project. Notwithstanding the foregoing, each Party shall continue to bear its Participating Interest share of the cost and liability incident to the Joint Operations, including but not limited to plugging and abandoning and restoring the surface location, but only to the extent those costs were not increased by the Sole-Risk Project.

11.6 Consequences of non-participation in Sole-Risk Projects shall be as follows :

- (a) Subject to Article 11.6(b) below, each Non-Sole-Risk Party shall be deemed to have relinquished to the Sole-Risk Parties, and the Sole-Risk Parties shall be deemed to own, in proportion to their respective participating interests in any Sole-Risk Project:
 - (1) All of each such Non-Sole-Risk Party's right to participate in further operations in the well in which the Sole-Risk Project was conducted and on any Discovery made or appraised in the course of such Sole-Risk Project; and
 - (2) All of each such Non-Sole-Risk Party's right pursuant to the Contract to take and dispose of Hydrocarbons produced and saved:
 - (i) From the well in which such Sole-Risk Project was conducted, and
 - (ii) From any wells drilled to appraise or develop a Discovery made or appraised in the course of such Sole-Risk Project.
- (b) A Non-Sole-Risk Party shall have only the following options to reinstate the rights it relinquished pursuant to Article 11.6(a) above:
 - (1) If the Sole-Risk Parties decide to appraise a Discovery made in the course of a Sole-Risk Project, the Sole-Risk Parties shall submit to each Non-Sole-Risk Party the approved appraisal program. For thirty (30) Days (or twenty four (24) hours if the drilling rig which is to be used in such appraisal program is standing by in the Contract Area) from receipt of such appraisal program, each Non-Sole-Risk Party shall have the option to reinstate the rights it relinquished pursuant to Article 11.6(a) above and to

participate in such appraisal program. The Non-Sole-Risk Party may exercise such option by notifying Operator within the period specified above that such Non-Sole-Risk Party agrees to bear its Participating Interest share, or proportionate share if less than all Parties participate, of the expense and liability of such appraisal program, to pay the lump sum amount as set out in Article 11.13(a) below and to pay the In Kind Premium as set out in Article 11.13(b) below;

- (2) If the Sole-Risk Parties decide to develop a Discovery made or appraised in the course of an Sole-Risk Project, the Sole-Risk Parties shall submit to the Non-Sole-Risk Parties a plan of development substantially in the form intended to be submitted to the STATE under Article 11.4 of the Contract. For sixty (60) Days from receipt of such plan of development or such lesser period of time prescribed by the Contract, each Non-Sole-Risk Party shall have the option to reinstate the rights it relinquished pursuant to Article 11.6(a) above and to participate in such plan of development. The Non-Sole-Risk Party may exercise such option by notifying the Party proposing to act as Operator for such plan of development within the period specified above that such Non-Sole-Risk Party agrees to bear its Participating Interest share, or proportionate share if less than all Parties participate, of the liability and expense of such plan of development and such future operating and producing costs, to pay the lump sum amount as set out in Article 11.13(a) below and to pay the In Kind Premium as set out in Article 11.13(b) below.
- (3) If the Sole-Risk Parties decide to deepen, complete, sidetrack, plug back or re-complete a well drilled pursuant to a Sole-Risk Project and such further operation was not included in the original proposal for such well, the Sole-Risk Parties shall submit to the Non-Sole-Risk Parties the approved AFE for such further operation. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such operation is standing by in the Contract Area) from receipt of such AFE, each Non-Sole-Risk Party shall have the option to reinstate the rights it relinquished pursuant to Article 11.6(a) above and to participate in such operation. The Non-Sole-Risk Party may exercise such option by notifying the Operator within the period specified above that such Non-Sole-Risk Party agrees to bear its Participating Interest share, or proportionate share if less than all Parties participate, of the liability and expense of such further operation, to pay the lump sum amount as set out in Article 11.13(a) below and to pay the In Kind Premium as set out in Article 11.13(b) below

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

- (c) If a Non-Sole-Risk Party does not properly and in a timely manner exercise such option, including paying in a timely manner in accordance with Article 11.13 below all lump sum amounts due to the Sole-Risk Parties, such Non-Sole-Risk Party shall have forfeited the options as set out in Article 11.6(b) above and the right to participate in the proposed program, unless such program, plan or operation is

materially modified or expanded (in which case a new notice and option shall be given to such Non-Sole-Risk Party under Article 11.6(b) below).

- (d) A Non-Sole-Risk Party shall become a Sole-Risk Party with regard to a Sole-Risk Project, and such well and all facilities, equipment and other property appurtenant thereto shall be owned jointly by it and the other Sole-Risk Parties, at such time as the Non-Sole-Risk Party gives notice pursuant to Article 11.6(b) above; provided that such Non-Sole-Risk Party shall in no way be deemed to be entitled to any lump sum amount or In Kind Premium paid incident to such Sole-Risk Project. Such Non-Sole-Risk Party shall be entitled to recover its Participating Interest share of expenses paid pursuant to Article 11.13 below (but not the amount of any associated In Kind Premium) from Reimbursement Oil. The Participating Interest of such Non-Sole-Risk Party in such Sole-Risk Project shall be proportionate to its Participating Interest set out in Article 2.2 above. If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Article V.
- (e) If, after the expiry of the period in which a Non-Sole-Risk Party may exercise its option to participate in a plan of development pursuant to a Discovery made or appraised in the course of a Sole-Risk Project, the Sole-Risk Parties desire to proceed, the Party chosen by the Sole-Risk Parties proposing to act as Operator for such development, shall give written notice to the STATE under the appropriate provision of the Contract requesting a meeting to advise the STATE that the Sole-Risk Parties consider the Discovery to be a Commercial Discovery. Unless the plan of development 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-Sole-Risk Parties under Article 11.6(b) above), each Non-Sole-Risk Party to such plan of development shall be deemed to have :
 - (i) Forfeited all economic interest in such development;
 - (ii) Assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Sole-Risk Parties.

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

11.7 No Sole-Risk Project may be initiated later than:

- (a) One hundred and eighty (180) Days following the expiry of the notice period referred to in Article 11.3 above in the case of a Project under Article 11.2.1 above; or
- (b) Three hundred and sixty-five (365) Days following the expiry of the notice referred to in Article 11.3 above in the case of a project under Article 11.2.2 above.

- 11.8** The Operator carrying out the Sole-Risk Project shall complete the Sole Risk Project with due diligence unless the Exploitation Committee has determined that the Sole-Risk Project jeopardizes the economic interest of the Parties who are not Sole-Risk Parties, or unreasonably interferes with the Joint Operations carried out under the Contract and adopted by the Exploitation Committee pursuant to Article 4 of this Participation Agreement, in which event the Sole-Risk Project shall not be carried out.
- 11.9** The Sole-Risk Parties may use for the Sole-Risk Project any production, handling, processing or transportation facilities which are Joint Property of [*name of Participation Area*], provided the terms and conditions for use of such facilities are unanimously agreed by the Parties.
- 11.10** In connection with any Sole-Risk Project:
- (a) The Sole-Risk Project shall be carried out under the responsibility and control of the Sole-Risk Parties, who are substituted for the Exploitation Committee;
 - (b) The accounting of costs and expenses of the Sole- Risk Project incurred by the Sole-Risk Parties shall be kept in accordance with the principles set out in the Accounting Procedure, Annex B to the Contract and in the Supplemental Accounting Procedure, Exhibit "A" to this Participation Agreement;
 - (c) The Operator carrying out the Sole-Risk Project shall maintain separate accounting and records (including bank accounts) for the Sole Risk Project which shall be subject to the right of examination and audit by the Sole-Risk Parties in the manner specified in the Accounting Procedure and in the Supplemental Accounting Procedure, Exhibit "A" to this Participation Agreement;
 - (d) The costs and expenses of the Sole-Risk Project incurred by the Sole-Risk Parties shall not be reflected in the statements or billings rendered by the Operator for Joint Operations under this Participation Agreement; and
 - (e) If the Operator is carrying out a Sole-Risk Project on behalf of the Sole-Risk Parties, the Operator shall be entitled to require that the Sole-Risk Parties advance their share of the evaluated expenditure. Moreover, the Operator shall not use funds from the [*name of Participation Area*] Account nor its own funds for the purpose of paying the costs and expenses of the Sole-Risk Project. Furthermore, the Operator shall not be obliged to commence or to continue the Sole-Risk Project if the relevant advances have not been paid to it by the Sole-Risk Parties. If the Operator is a Non-Sole-Risk Party to a Sole Risk Project to develop a Discovery, then subject to obtaining any necessary Government approvals the Operator may resign, but in any event shall resign on the request of the Sole Risk Parties, as Operator for such Discovery and the Sole Risk Parties shall select a Party to serve as Operator.
- 11.11** The Sole-Risk Parties shall indemnify and hold harmless the Non-Sole-Risk Parties against all actions, claims and demands of any kind whatsoever brought by any third party arising out of or in connection with the Sole-Risk Project and shall further indemnify the Parties against all damages, costs, losses and expenses incurred directly or indirectly by them as a result of any act or failure to act during the performance of a Sole-Risk Project.

11.12 The Sole-Risk Project, including data and pertinent information, shall be wholly owned by the Sole-Risk Parties. However, the Sole-Risk Parties shall furnish all information concerning the Sole-Risk Project on a timely basis to the other Parties, in accordance with the provisions of this Participation Agreement.

11.13 In order to reinstate its interest and to participate in a Sole-Risk Project pursuant to Article 11.6(b) above, each Non-Sole-Risk Party so electing shall:

- (a) Within thirty (30) Days of the exercise of its option under Article 11.6(b) above, pay immediately to the Sole-Risk Parties in proportion to their respective participating interests in such Sole-Risk Project a lump sum amount in US Dollars. Such lump sum amount shall be equal to such Non-Sole-Risk Party's Participating Interest share of all liabilities and expenses, including overhead, that have been incurred in respect to the Sole-Risk Project in which the Non-Sole-Risk Party desires to reinstate the rights it relinquished pursuant to Article 11.6(a) above; and
- (b) Be deemed to grant to the Sole-Risk Parties an In Kind Premium, until such time as the In Kind Premium has been fully satisfied. The In Kind Premium shall be the right to own, take in kind and separately dispose of Hydrocarbons produced out of one hundred percent (100%) of the Non-Sole-Risk Party's share of future production (including Reimbursement Oil, Compensation Oil and, where applicable under the Contract, Natural Gas) from the Sole-Risk development resulting from the Discovery in which the Non-Sole-Risk Party desires to reinstate the rights it relinquished pursuant to Article 11.6(a) above. The value in U.S. dollars of the In Kind Premium shall equal a total of:
 - (1) Nine Hundred percent (900%) of such Non-Sole-Risk Party's participating interest share of all liabilities and expenses, including overhead, that were incurred in any Sole-Risk Project relating to the obtaining of the portion of the geologic and geophysical data which pertains to the Discovery, plus
 - (2) Nine Hundred percent (900%) of such Non-Sole-Risk Party's participating interest share of all liabilities and expenses, including overhead, that were incurred in any Sole-Risk Project relating to the drilling, deepening, testing, completing, sidetracking, plugging back, recompleting and reworking of the Exploration well which made the Discovery, plus
 - (3) Five Hundred percent (500%) of the Non-Sole-Risk Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Sole-Risk Project relating to the drilling, deepening, testing, completing, sidetracking, plugging back, recompleting and reworking of the appraisal well(s) which delineated the Discovery.
- (c) The In Kind Premium shall be deemed fully satisfied when the aggregate value of the Hydrocarbons, received by the Sole-Risk Parties as In Kind Premium, equals the amounts pursuant to Article 11.13(b) above. After such satisfaction the Sole-Risk Parties' right to such In Kind Premium shall terminate, and such Non-Sole-Risk Party shall own, take and dispose of its share from such Discovery pursuant to Article 13 of the Contract. Any obligation of the Non-Sole-Risk Party to satisfy the In Kind Premium shall terminate with the cessation of production from the

Discovery which the In Kind Premium encumbers, and in such event, no cash payment, in lieu of production, shall be due from the Non-Sole-Risk Party for the unsatisfied balance of the In Kind Premium.

The value of the In Kind Premium to which a Sole-Risk Party is entitled shall be determined in accordance with Article 16 of the Contract.

11.14 In the case of a Sole-Risk Project which corresponds to the description in Article 11.2.4 above, the facilities concerned shall be utilised in accordance with the provisions of Article 20 of the Contract by the Sole-Risk Parties for the entire duration of this Participation Agreement.

ARTICLE 12: CONFIDENTIALITY

12.1 The Parties must consult with each other before making any public statement or press release, and, within the limits allowed by the Contract, no Party may make a public statement or press release without the consent of the other Parties, which consent shall not be unreasonably withheld. The Operator shall make reasonable efforts to coordinate all public statements and to arrange so that all the Parties may issue press releases at the same time.

12.2 The obligations of the Parties under this Article 12 are continuing obligations and any Party ceasing to be a Party to this Participation Agreement shall remain bound by this Article for as long as this Participation Agreement is in force between the remaining Parties.

12.3 This Participation Agreement may not be construed as requiring the disclosure by one Party to the other Parties of any secret proprietary technical data. However, in the event that such secret data have been revealed by works the costs of which have been charged to [*name of Participation Area*] Account, such technology must be made available to any Party who can make use of it, as well as their Affiliates, in all operations.

12.4 After agreement by the Non-Operators, the Operator and only the Operator may, for **CONTRACTOR's** account and pursuant to the conditions set forth in Article 25.5 of the Contract, undertake any data and information exchange transaction. For this purpose, the Operator shall conclude with the involved third party of this transaction an agreement by which terms the third party agrees, on the one hand, not to disclose the information and, on the other, authorizes the communication to the other Parties of the information obtained from it.

ARTICLE 13: LIABILITY

13.1 The Parties shall be liable to third parties based on their respective Participating Interest. Subject to the provisions of Article 13.2 below, the Non-Operators are jointly liable with the Operator, its Affiliated Companies, consultants, officers, employees, and directors for any cost, expense (including reasonable attorneys' fees) claimed by third party claimants alleging that their person, property or the environment was damaged in connection with the conduct of the Petroleum Operations.

13.2 The Operator shall not be liable to any Non-Operators for any act or omission, claim, damages, loss or expense, in connection with or arising from the Participation Agreement, the Contract, and Joint Operations, unless caused by the failure on its part to perform a fundamental obligation consistent with this Participation Agreement including, among others, the non respect of the legislation and regulations applicable to the contract. In this latter event, the Operator shall bear the consequences of all damage caused to the Parties and to third persons resulting directly from such failure to perform under the Contract and all the Participation Agreement, except for all damage not resulting directly from said failure to perform.

ARTICLE 14: GOVERNING LAW

This Participation Agreement shall be governed by and be construed in accordance with Cameroonian law, as supplemented, if applicable, by principles of international law.

ARTICLE 15: INTERPRETATION AND SETTLEMENT OF DISPUTES

- 15.1** The Parties shall make reasonable efforts to amicably settle any dispute arising between them regarding this Participation Agreement. Failing amicable settlement, the Parties hereby agree to submit to the International Centre for the Settlement of Investment Disputes (hereafter "ICSID"), any dispute arising from or related to this Agreement for purposes of settlement by arbitration in accordance with the provisions of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (hereafter "ICSID Convention").
- 15.2** Any arbitral tribunal constituted pursuant to this Agreement shall consist of three (3) arbitrators being appointed in accordance with the provisions of the ICSID Convention and Arbitration rules.
- 15.3** Any arbitral tribunal constituted pursuant to this Agreement shall apply Cameroonian law, as supplemented where applicable by principles of international law, in accordance with the provisions of this Agreement and the Contract.
- 15.4** The **STATE** hereby waives any right, for itself or its property, of sovereign immunity intended to stop the execution of a judgment rendered by an arbitral tribunal constituted in accordance with this Agreement.
- 15.5** The arbitration shall take place in ----- . The language used for the arbitral proceedings shall be French and/or English.
- 15.6** Any arbitration initiated pursuant to this Agreement shall be held in accordance with the ICSID Rules of arbitration in force of the day of its initiation.
- 15.7** The Parties hereby agree that for the purposes of Article 25 (1) of the ICSID Convention, any dispute arising from or connected with this Agreement is a legal dispute arising directly out of an investment.
- 15.8** The Parties shall not be absolved of their obligations under this Agreement and under the Contract during the arbitration proceedings. However, the introduction of the arbitral proceedings suspends the execution of the contested act for the duration of said proceedings.

15.9 The judgment of the arbitrators shall be final and irrevocable. It binds the Parties and is executory, in accordance with Article 54 of the ICSID Convention.

The Parties hereby waive, formally and without reserve, any right to oppose such judgment, to obstruct its execution by any means or to have recourse to any court or jurisdiction whatsoever, except for the recourse provided in Articles 50 and 52 of the ICSID Convention.

15.10 In the event of incompetence by ICSID for whatever reason to rule on or settle any dispute submitted to it under Article 15.1 above, any dispute, controversy or claim arising from or related to this Agreement, or to the breach, cancellation or invalidity of this Agreement, shall be settled by arbitration under the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules actually in force. In such case, all the provisions of this Article 15, except for Articles 15.1 and 15.7, shall apply *mutatis mutandis*.

ARTICLE 16: FORCE MAJEURE

16.1 No Party shall be liable for the non-performance or the partial or late performance of its obligations if the obligated Party is prevented from doing so by Force Majeure.

An event shall be considered to be Force Majeure if it meets the following conditions:

- it has the effect of temporarily or permanently preventing either Party from carrying out the obligations which are incumbent upon it under this Participation Agreement; and
- it is unforeseeable and unavoidable and beyond the control of the affected Party, it being understood that a failure to pay is never excused by Force Majeure.

16.2 For purposes of this Participation Agreement, the following events, *inter alia*, shall be considered to be Force Majeure, if they meet the conditions referred to above: strikes, work stoppages, fires, earthquakes, mud slides, disruption of the means of transport, floods, hurricanes, volcanic eruptions, sandstorms, explosions, wars, guerrilla warfare, terrorist acts, blockades.

16.3 The Party impeded by Force Majeure shall promptly so notify the other Parties and confirm it later in writing together with all useful and detailed information.

In the event that the performance of an obligation is either partial or late, because of an event of Force Majeure, the Parties shall continue to carry out the clauses of this Participation Agreement which they are able to carry out despite the Force Majeure. Moreover, the impeded Party shall do its best to fulfill its obligations pursuant to this Participation Agreement.

The Party impeded by the Force Majeure must resume its compliance with the provisions of this Participation Agreement within a reasonable period of time after the event of Force Majeure has ceased to exist. The Parties who are not impeded shall do their best to assist the impeded Party to resume its compliance with the provisions of this Participation Agreement.

In the case of strikes, work stoppage or similar event which affects the normal operation of the work and which is considered to be Force Majeure, no Party may require the other Parties to accept a solution which is contrary to what the impeded Party believes to be an acceptable solution.

16.4 In any case, at the request of any Party, the Exploitation Committee shall attest to the situation of Force Majeure, the suspension of the Joint Operations as well as a return to the normal application of the clauses of this Participation Agreement.

ARTICLE 17: NOTICES

17.1 All notices pertaining to this Participation Agreement shall be in writing and shall be delivered by hand or sent by an express courier or by any means of electronic transmission or written communication which makes it possible to confirm that the transmission did in fact take place, and shall be sent to the Parties at the following addresses:

- To _____

Fax :
Email address :
Attention :

- To _____

Fax :
Email address :
Attention :

- To _____

Fax :
Email address :
Attention :

17.2 A notice shall be effective upon the date of its receipt by the Party to whom the notice is directed. Notices given by telecopy shall be deemed to have been received on the date shown on the return receipt. Notices given by telegram or telex with a call-back record shall be presumed to have been received on the working day at the place of receipt next following the time of transmissions. Such notices given by telecopy shall be promptly confirmed by letter signed by the Party giving the notice.

17.3 Any Party may change its authorized representative or its address after giving the other Parties ten (10) Days' advance notice in writing to such effect.

ARTICLE 18: EFFECTIVE DATE - TERM

18.1 This Participation Agreement shall come into force on the Participation Date, which is _____, and shall remain in force until:

18.1.1 its termination by the written consent of all the Parties ; or

18.1.2 all the percentages of Participating Interest are vested in one Party ; or

18.1.3 the expiration or termination of the Contract.

18.2 In the event of termination of this Participation Agreement, the Operator shall, for the account of **CONTRACTOR**, undertake:

18.2.1 either the Abandonment operations, or the completion of the operations necessary to ensure the transfer of all the Abandonment cost reserves under the conditions prescribed in Article 21.2.2 of the Contract; and

18.2.2 after completion of the operations set forth in Article 18.2.1 above, the settlement and closing operations for the [*name of the Participation Area*] Account.

18.3 The date on which the final closeout prescribed in Article 18.2 above shall have been completed shall be the effective date of the termination of this Participation Agreement. Notwithstanding the preceding sentence, Article 3.13, Article 7.8, and Article 15 of this Participation Agreement shall remain in effect until all obligations, claims, arbitrations and lawsuits have been settled or otherwise resolved.

ARTICLE 19: FINAL PROVISIONS

19.1 If one or several of the provisions of this Participation Agreement shall be declared void or illegal, the other provisions of this Agreement shall continue to apply, except if the absence of the former significantly changes the purpose, spirit or economic terms of said Agreement.

19.2 This Participation Agreement shall not be amended, modified or supplemented except by written consent of the Parties.

19.3 If a Party should fail to exercise its rights after another Party has defaulted in its obligations under this Participation Agreement, such waiver shall not be construed as an abandonment of its rights by the injured Party in the event that a new default, whether similar or dissimilar, by the same Party should occur. Unless otherwise provided in this Participation Agreement, a Party shall not be considered to have abandoned, or consented to a revision of, its rights under this Participation Agreement, unless such Party has expressed in writing that it is its intention to waive, abandon or revise such rights.

- 19.4** Subject to the provisions of Articles 9 and 19.3 above, this Participation Agreement shall be binding upon the successors and assigns of the Parties.
- 19.5** In the event of contradiction or conflict between the provisions of this Participation Agreement and those of the Contract, including their respective annexes, the provisions of the Contract shall prevail.
- 19.6** Reference to the singular includes a reference to the plural and vice versa.
- 19.7** This Participation Agreement is the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior understandings and negotiations of the Parties.

In witness whereof, the Parties have signed this Participation Agreement on the day of the year

EXHIBIT A
TO ANNEX C OF THE _____
PRODUCTION SHARING CONTRACT

SUPPLEMENTAL ACCOUNTING PROCEDURE

Date: _____

SUMMARY

- I. PURPOSE, DEFINITIONS AND INTERPRETATION**
- II. INVOICES AND PERIODIC STATEMENTS**
- III. AUDIT**
- IV. TAX OBLIGATIONS OF THE OPERATOR**
- V. CASH CALLS**

I. PURPOSE, DEFINITIONS AND INTERPRETATION

I.1 Purpose:

The purpose of this **Supplemental Accounting Procedure** is to define the accounting rules for the charges and proceeds deriving from the conduct of Petroleum Operations in the Participation Area pursuant to this Participation Agreement. The whole of the accounting rules and principles of the Accounting Procedure of the Contract are supplemented by the provisions of this Supplemental Accounting Procedure.

I.2 Definitions:

The definitions set forth in the Contract, in the Accounting Procedure and in this Participation Agreement shall be equally applicable to this Supplemental Accounting Procedure.

"*Agreement*" shall mean the Participation Agreement entered into by the Republic of Cameroon (hereafter referred to as "the **STATE**") and (hereafter referred to as "the **CONTRACTOR**") in connection with the [*name of Participation Area*] dated 200.. and to which this Supplemental Accounting Procedure is annexed.

"*Individual Accounts*" shall mean the book of accounts maintained by the Operator in the name of each of the Parties where their respective shares of expenses for Joint Operations shall be debited and where their contributions to the financing of Joint Operations shall be credited.

I.3 Inconsistencies:

In the event of any inconsistency or conflict between the provisions of this Supplemental Accounting Procedure and those of the Participation Agreement, the provisions of the Participation Agreement shall prevail.

I.4 Principles:

The Parties agree that no Party should incur a gain or a loss with respect to the other Parties; if any of these rules prove to be unfair to any of the Parties, the latter shall make good faith efforts to make any necessary modifications to said rules in order to correct the unfairness.

II. INVOICES AND PERIODIC STATEMENTS

Within sixty (60) Days after the end of each Calendar Year, and within thirty (30) Days after each of the other months of the Calendar Year, the Operator shall prepare an accounting of the expenses incurred for Joint Operations. All invoices shall be accompanied by a detailed statement of the charges and/or proceeds being considered and specifying the total of the recoverable Petroleum Costs under the Contract and the total of the non-recoverable associated costs.

In order to do so, it shall send to each of the Parties the following documents:

II.1 Invoices and statements pertaining to Joint Operations :

The invoices, based on accounting realizations, shall be at least as detailed as the corresponding Budgets and shall indicate the following amounts

- II.1.1 The share of the Party in question in the Exploration Costs, as well as a detailed statement of such Exploration Costs highlighting the various work and investments, including current or completed drilling and seismic work, and specifying the share of General Overhead allocated to the Exploration Costs. A detailed account of the sources of financing shall also be attached.
- II.1.2 The share of the Party in question in Exploitation Costs, as well as a detailed statement of said Exploitation Costs highlighting the various expenses, including damage reparation and insurance policy costs, and specifying the share of General Overhead allocated to said Exploitation Costs.
- II.1.3 The share of the Party in question in variations in inventory of the Joint Property including consumable materials and equipment.
- II.1.4 The share of the Party in question in Development Costs, as well as a detailed statement of said Development Costs highlighting the various work and investments, including the current or completed drilling and/or seismic work, and specifying the share of General Overhead allocated to said Development Costs.
- II.1.5 The share of the Party in question in the reserves for Abandonment work deposited into the Abandonment Account.
- II.1.6 A production statement indicating:
 - the quantities of Hydrocarbons used for the Joint Operations, flared or reinjected ;
 - the Available Production ;
 - the Production for Compensation to which each of the Parties is entitled.
- II.1.7 The share of the Party in question in interest on joint borrowings, if any, as well as a statement highlighting the reimbursements of various borrowings (principal and interest).
- II.1.8 A statement of Hydrocarbons stocks indicating:
 - the Production for Compensation to which each Party has a right (including quantities not lifted in the preceding period);

- the quantities for which firm requests were made and were effectively lifted by each of the Parties.
- the quantities belonging to the **STATE** and lifted by each of the Parties.
- the quantities over- or under- lifted by each of the Parties.

II.2 Annual Statements

At the end of each Calendar Year, a recapitulation of the information contained in the monthly statements shall be prepared. The annual statement shall also contain the following items:

- the cumulative expenses for the current Calendar Year, in 100% and per each Party's share.
- the cumulative expenses since the Participation Date, in 100% and per each Party's share.
- the total of each Party's cash calls, since the Participation Date of the State in costs and expenses.
- the balance of the Joint Current current [*name of Participation Area*] Account for each Party.
- a statement of the Abandonment Account as well as each Party's share.

III. AUDIT

III.1 The Auditing Process:

The audit for a Fiscal Year shall commence during the twenty-four (24) months following the end of such fiscal year. The Non-Operator shall notify the Operator at least one (1) month prior to the date scheduled for the audit to begin.

However, if before the expiration of the normal time period of twenty-four (24) months, the Non-Operator declares a case of Force Majeure which prevents the audit of the accounts from being carried out during that period, the foreclosure shall cease to run for as long as the situation of Force Majeure continues.

It is understood that the non-exercise of its audit rights by a Non-Operator shall be deemed to be final approval of the accounts for the year under consideration.

The Joint Account and the Individual Accounts may be subject to audit, either by an outside auditor or by internal audit. For this purpose, the Non-Operators may send a reasonable number of their representatives in order to verify the accounting pertaining to Joint Operations. The Non-Operators shall make their best efforts, to the extent possible, to carry out their audit as a single operation in

order to interfere the least possible with the Operator's conduct of the Joint Operations. Each audit on Operator's premises shall not exceed the maximum of thirty (30) Days per audited Fiscal Year.

The audit of services provided by Operator's Affiliates shall be limited to the items of the Joint Account found in Operator's offices in Cameroon. Non-Operators shall have the right to audit any accounting item or document constituting a justification for allocating a cost to the Joint Account.

The invoices from Affiliates shall detail the type of services rendered. For personnel costs, the names of the persons, their grade, their hourly cost and the number of hours invoiced for the period in question shall be indicated.

At the request of the auditing Party(ies), the Operator shall provide a certificate at cost prepared by the Operator's certified accountants of the Operator's Affiliate.

In the three (3) months following each audit, the Non-Operators shall provide Operator with a formal written audit report, including copies of documents supporting any claims.

In the three (3) months following receipt of said report, the Operator shall send a written response on the comments and observations received, specifying the points it accepts as well as the ones it rejects.

In the three (3) months following Operator's response, the Non-Operators shall send their final comments to the Operator. Failure to send such final comments to the Operator in the time periods allowed shall be deemed approval of Operator's response to the Non-Operators.

Any accepted adjustment shall be entered into the [*name of Participation Area*] Joint Account by the Operator and shall be included in the statement following the acceptance date. Any audit conflict shall be reported to the Exploitation Committee. If the dispute is not resolved after 12 months from the date of notification of the audit conflict to the Exploitation Committee, it shall be handled in accordance with Article 15 of the Agreement.

III.2 Auditing Costs:

It is understood that auditing costs shall be borne by the Non-Operator who initiated the corresponding auditing mission. However, in the case of an audit carried out simultaneously and jointly by several Non-Operators, the cost of such audit shall be shared in equal parts among them.

The costs which result from the normal use of logistical means which belong the Joint Property shall not be invoiced to the Non-Operator who initiated the corresponding auditing mission; such costs shall be charged to the [*name of Participation Area*] Account.

IV. TAX OBLIGATIONS OF THE OPERATOR

The Operator shall assume the tax obligations pertaining to the Joint Operations with respect to the miscellaneous competent authorities, except for obligations concerning duties, royalties and taxes which are owed individually by each Party, for which each Party shall prepare and submit, within the prescribed time frame, its own returns to the competent authorities pursuant to the provisions of the Agreement.

V. CASH CALLS

For the realization of the Work Programme and within the limits of its corresponding Budget, including adjustments permitted by Article 3.10 of the Agreement, each Party shall pay its participating interest share of funds at the request of Operator for operations in the following month. For information, each cash call shall have a forecast of funds needed for the following sixty (60) Days.

Each cash call, detailed by budget category, shall be made in writing and sent to all the Parties at least fifteen (15) Days prior to the payment due date. All costs associated with transferring of funds shall be for the account of the cash called Party.

Each Party shall wire transfer the full amount of its share of advances before the due date in U.S. Dollars and to the bank account designated by Operator. In case of default, the provisions of Article 7 of the Agreement shall apply.

In case of emergency, if Operator is obligated to pay amounts of money not foreseen when it estimated the cash calls, it can make a supplementary cash call to cover such payments. Each Party shall pay its share of advances within seven (7) Days after receipt of written notification from Operator.

The Operator shall open bank accounts dedicated to Joint Operations, as required and in currencies as may be needed, for the Operations in the Participation Area. Interest earned shall be credited to the Parties proportionally the value dates of the transfer of paid-up amounts by each Party.
