

PRODUCTION OPERATING AGREEMENT
FOR MOATTAMA AREA
BLOCKS M5 AND M6 OFFSHORE MYANMAR
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EXHIBIT "A" - Accounting Procedure

EXHIBIT "B" - Contract

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PRODUCTION OPERATING AGREEMENT

THIS AGREEMENT is made as of the Effective Date among TOTAL MYANMAR EXPLORATION AND PRODUCTION, a company incorporated in France (hereinafter referred to as "TOTAL") ; and UNOCAL MYANMAR OFFSHORE Co. Ltd, a company incorporated in Bermuda (hereinafter referred to as "UNOCAL"). The companies named above may sometimes individually be referred to as "Party" and collectively as the "Parties".

WITNESSETH

WHEREAS on July 9th 1992 TOTAL has entered into a Production Sharing Contract (the "Contract") with MYANMA OIL AND GAS ENTERPRISE (hereinafter referred to as MOGE) covering certain areas located in the Union of Myanmar, referred to as the Contract Area, and more particularly described in Exhibit B to this Agreement ; and

WHEREAS subject to the approval of the Myanma authorities TOTAL has assigned a Participating Interest (as hereinafter defined) of forty seven and five tenth percent (47.5 %) to UNOCAL ; and

WHEREAS such assignment has been approved by MOGE on February 5th, 1993 ;

WHEREAS, the Parties desire to define their respective rights and obligations with respect to their operations under the Contract ;

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

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ARTICLE 1 - DEFINITIONS

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

- 1.1. Accounting Procedure means the rules, provisions and conditions set forth and contained in Exhibit A to this Agreement.
- 1.2. AFE means an authorization for expenditure pursuant to Article 6.6.
- 1.3. Affiliate means a company, partnership or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls a Party. Control means the ownership directly or indirectly of more than fifty (50) per cent of the shares or voting rights in a company, partnership or legal entity.
- 1.4. Agreed Interest Rate means interest compounded on a monthly basis, at the rate per annum equal to the one (1) month term LIBOR rate for U.S. Dollars deposits, as published by The Wall Street Journal or if not published, then by the Financial Times of London, plus four percent (4 %), applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding one (1) month term. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.
- 1.5. Agreement means this agreement, together with the Exhibits attached to this agreement.
- 1.6. Appraisal Period shall have the meaning ascribed in the Contract.
- 1.7. Appraisal Well means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or the volume of Hydrocarbon reserves contained in an existing Discovery.
- 1.8. Barrel means a quantity consisting of forty-two (42) United States gallons, corrected to a temperature of sixty (60) degrees Fahrenheit under one (1) atmosphere of pressure.
- 1.9. Business Day means a day on which the banks in the Union of Myanmar are customarily open for business.
- 1.10. Calendar Quarter means a period of three (3) months commencing with January 1 and ending on the following March 31, a period of three (3) months commencing with April 1 and ending on the following June 30, a period of three (3) months commencing with July 1 and ending on the following September 30, or a period of three (3) months commencing with October 1 and ending on the following December 31 according to the Gregorian Calendar.

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- 1.11. Calendar Year or Year means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.
- 1.12. Cash Premium means the payment made pursuant to Article 7.5.(B) by a Non-Consenting Party to reinstate its rights to participate in an Exclusive Operation.
- 1.13. Commercial Discovery means any discovery of Hydrocarbons which is sufficient to entitle the Parties to apply for authorization from the Government to commence exploitation, as further defined in the Contract.
- 1.14. Completion means an operation intended to complete a well as a producer of Hydrocarbons in one or more Zones, including, but not limited to, the setting of casings, perforating, stimulating, running completion, cleaning the well, production Testing, the setting of production tubing and production wellhead. Complete and other derivatives shall be construed accordingly.
- 1.15. Consenting Party means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.
- 1.16. Contract means the instrument hereto attached as Exhibit B concluded between MOGE and TOTAL identified in the second paragraph of this Agreement and any extension, renewal or amendment thereof agreed to in writing by the Parties.
- 1.17. Contract Area means as of the Effective Date the surface area which is described in Exhibit B to this Agreement. The perimeter or perimeters of the Contract Area shall correspond to that area covered by the Contract, as such area may vary from time to time during the term of validity of the Contract.
- 1.18. Cost Oil means that portion of the total production of Hydrocarbons which is allocated to the Parties under the Contract for the recovery of Petroleum Costs.
- 1.19. "Crude Oil" means crude mineral oil, asphalt, ozokerite, casing head petroleum spirit, and all kinds of hydrocarbons and bitumens whether in solid, liquid or mixed forms, including condensate and other substances extracted or separated from Natural Gas.
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- 1.20. Day means a calendar day unless otherwise specifically provided.
- 1.21. Defaulting Party shall have the meaning ascribed in Article 8.1.
- 1.22. Deepening means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the associated AFE, whichever is the deeper. Deepen and other derivatives shall be construed accordingly.

- 1.23. Development Plan means a plan for the development of Hydrocarbons from an Exploitation Area covering all or a portion of the Contract Area.
- 1.24. Development Well means any well drilled for the production of Hydrocarbons pursuant to a Development Plan.
- 1.25. Discovery means the discovery of an accumulation of Hydrocarbons whose existence until that moment was unknown.
- 1.26. Effective Date means the date this Agreement comes into effect as stated in Article 2.
- 1.27. Entitlement means a quantity of Hydrocarbons of which a Party has the right and obligation to take delivery pursuant to the Contract or, if applicable, an offtake agreement, and shall be derived from that Party's Participating Interest in the Hydrocarbons produced after adjustment for overlifts and underlifts.
- 1.28. Excess Cost Oil shall have the meaning ascribed in Article 19.3.
- 1.29. Exclusive Operation means those operations and activities carried out by Operator, pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties.
- 1.30. Exclusive Well means a well drilled pursuant to an Exclusive Operation.
- 1.31. Exploitation Area means that part of the Contract Area which is established pursuant to the Contract or if the Contract does not establish an Exploitation Area, then that part of the Contract Area which is delineated in a Development Plan approved as a Joint Operation or as an Exclusive Operation.
- 1.32. Exploitation Period means any and all periods of exploitation during which the production and removal of Hydrocarbons is permitted under the Contract.
- 1.33. Exploration Period means any and all periods of exploration set out in the Contract, if any.
- 1.34. Exploration Well means any well drilled during the course of exploration work other than an Appraisal Well or Development Well.
- 1.35. G & G Data means only geological, geophysical and geochemical data and other geological information that is not obtained through a wellbore.
- 1.36. Government means the government of the Union of Myanmar.
- 1.37. Government Oil Company means MOGE and its successor(s).

- 1.38. Gross Negligence means any act or failure to act (whether sole, joint or concurrent) by a Party which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such Party knew, or should have known, such act or failure would have had on the safety or property of another person or entity, but shall not include any error of judgment or mistake made by such Party in the exercise in good faith of any function, authority or discretion conferred on the Party employing such under this Agreement.
- 1.39. Hydrocarbons means all substances including liquid and gaseous hydrocarbons which are subject to and covered by the Contract.
- 1.40. Joint Account means the account maintained by Operator in accordance with the provisions of this Agreement and of the Accounting Procedure for Joint Operations.
- 1.41. Joint Operations means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties.
- 1.42. Joint Property means, at any point in time, all wells, facilities, equipment, materials, information, funds and the property held for the Joint Account.
- 1.43. Minimum Work Obligations means those work and/or expenditure obligations specified in the Contract which must be performed in order to satisfy the obligations of the Contract.
- 1.44. "Natural Gas" means all gaseous hydrocarbons produced from wells, including wet mineral gas, dry mineral gas, casing head gas and residue gas remaining after the extraction or separation of liquid hydrocarbons from wet gas.
- 1.45. Non-Consenting Party means a Party who elects not to participate in an Exclusive Operation.
- 1.46. Non-Operator(s) means the Party or Parties to this Agreement other than Operator.
- 1.47. Operating Committee means the committee constituted in accordance with Article 5.
- 1.48. Operator means a Party to this Agreement designated as such in accordance with this Agreement.
- 1.49. Participating Interest means the undivided percentage interest of each Party in the rights and obligations derived from the Contract and this Agreement.

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- 1.50. Party means any of the entities named in the first paragraph to this Agreement and any respective successors or assigns in accordance with the provisions of this Agreement.
- 1.51. Petroleum Costs means costs and expenses incurred by the Parties and allowed to be recovered pursuant to the Contract.
- 1.52. Plugging Back means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. Plug Back and other derivatives shall be construed accordingly.
- 1.53. Profit Oil means that portion of the total production of Hydrocarbons, in excess of Cost Oil, which is allocated to the Parties under the terms of the Contract.
- 1.54. Recompletion means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. Recomplete and other derivatives shall be construed accordingly.
- 1.55. Workover means an operation conducted in the wellbore of a well after it is Completed to secure, restore, stimulate, or improve production in a Zone which is currently open to production in the wellbore.
Such operations include also, but are not limited to, Sidetracking, Deepening, ReCompleting of a new Zone in a well but exclude any routine repair or maintenance work (such as but not limited to wireline operations).
Workover and other derivatives shall be construed accordingly.
- 1.56. Senior Supervisory Personnel means any supervisory employee of a Party or of any of its Affiliates who functions as such Party's designated manager or supervisor who is responsible for, or in charge of onsite drilling, construction or production and related operations, or any other field operations; and any employee of such Party who functions at a management level equivalent to or superior to such supervisory employee, or an officer or a director of such Party.
- 1.57. Sidetracking means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. Sidetrack and other derivatives shall be construed accordingly.
- 1.58. Testing means an operation intended to evaluate the capacity of a Zone to produce Hydrocarbons. Test and other derivatives shall be construed accordingly.
- 1.59. Work Program and Budget means a work program for Joint Operations and budget therefore as described and approved in accordance with Article 6.

- 1.60. Zone means a stratum of earth containing or thought to contain a common accumulation of Hydrocarbons separately productible from any other common accumulation of Hydrocarbons.

ARTICLE 2 - EFFECTIVE DATE AND TERM

This Agreement shall have effect from the 1st Day of June, 1994 (except for the financial provisions hereof related to chargeable costs and audits, which shall be effective as from July 9th 1992) and shall, subject to Paragraphs (A), (B), and (C) below continue in effect until the Contract terminates or, otherwise until such time as all materials, equipment and personal property used in connection with the Joint Operations have been removed and disposed of, and final settlement has been made among the Parties.

To prevent the premature termination of obligations continuing after the termination of this Agreement as set forth above, those Articles referenced in (A), (B), and (C) below, and all other portions of this Agreement directly and necessarily related thereto, shall remain in effect until :

- (A) all wells have been properly abandoned in accordance with Article 10 ; and
- (B) all obligations, claims, arbitrations and lawsuits have been settled or otherwise disposed of in accordance with Article 4.5. and Article 18 ; and
- (C) the time relating to the protection of confidential information and proprietary technology has expired in accordance with Article 15.

ARTICLE 3 - PARTICIPATING INTEREST

3.1. Participating Interest

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

TOTAL	fifty two and five tenth percent	(52.5 %)
UNOCAL	forty seven and five tenth percent	(47.5 %)

- (B) If a Party transfers all or part of its Participating Interest pursuant to the provisions of this Agreement and the Contract, the Participating Interests of the Parties shall be revised accordingly.

3.2. Ownership, Obligations and Liabilities

- (A) Unless otherwise provided in this Agreement, all the rights and interests in and under the Contract, all Joint Property and any Hydrocarbons produced from the Contract Area shall, subject to the terms of the Contract, be owned by the Parties in accordance with their respective Participating Interests.

- (B) Unless otherwise provided in this Agreement, the obligations of the Parties under the Contract and all liabilities and expenses incurred by Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Participating Interests.
- (C) Unless otherwise provided in this Agreement, all liabilities incurred by any Party in connection with Joint Operations shall be borne by the Parties in accordance with their respective Participating Interests except where such liabilities arise from or result of Gross Negligence of such Party in which case such Party shall remain solely liable for such liabilities.
- (D) Unless otherwise provided in this Agreement, each Party shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Agreement.

ARTICLE 4 - OPERATOR

4.1. Designation of Operator

TOTAL is designated as Operator, and agrees to act in accordance with the terms and conditions of the Contract and this Agreement, which terms and conditions shall also apply to any successor Operator.

4.2. Rights and Duties of Operator

- (A) Subject to the terms and conditions of this Agreement, Operator shall have all of the rights, functions and duties of Operator under the Contract and shall have exclusive charge of and shall conduct all Joint Operations. Operator may employ the services of its parent company, as well as independent contractors and/or agents in such Joint Operations.
- (B) In the conduct of Joint Operations Operator shall :

~~(1) Perform Joint Operations in accordance with the provisions of the~~
Contract, this Agreement and the instructions of the Operating Committee.

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- (2) Conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles generally followed by the international petroleum industry under similar circumstances, and with any applicable laws and regulations.
- (3) Subject to Article 4.6, neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations.
- (4) Perform the duties for the Operating Committee set out in Article 5, and prepare and submit to the Operating Committee the proposed Work Programs, Budgets and AFE as provided in Article 6.
- (5) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations.
- (6) Permit the representatives of any of the Parties to have at all reasonable times, in a manner which will not unduly interfere with operations and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure.
- (7) Maintain the Contract in full force and effect. Operator shall promptly pay and discharge all liabilities and expenses incurred in connection with the Joint Operations and use its reasonable efforts to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations.
- (8) Pay to the Government for the Joint Account, within the periods and in the manner prescribed by the Contract and all applicable laws and regulations, all payments, royalties, taxes, fees and other payments pertaining to Joint Operations, but excluding any taxes measured by the incomes of the Parties.
- (9) Carry out the obligations of Operator pursuant to the Contract, including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Contract ;
- (10) Have in accordance with the decisions of the Operating Committee, the exclusive right and obligation to represent the Parties in all dealings with the Government and with MOGE with respect to matters arising under the Contract and Joint Operations. Non-Operators shall have the right to attend meetings on matters jointly

and materially affecting the Parties's rights and obligations under the Contract but only in the capacity of observers, the Operator being the spokesman for the Parties. Operator shall notify the other Parties as soon as possible of such meetings.

Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government and with MOGE with respect to any issue peculiar to its particular business interests arising under this Agreement, but in such event such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information on matters not affecting the Parties ; and

- (11) In the case of an emergency including but not limited to well blow-outs and fires take without consideration of any budget limitation all necessary and proper measures for the protection of life, health, the environment and property ; provided, however, that Operator shall as soon as practicable notify the Parties of the details of such emergency and measures.

4.3. Employees of Operator

Operator shall determine the number of employees, the selection of such employees, the hours of work and the compensation to be paid to all such employees in connection with the Joint Operations. Operator shall employ only such employees, agents and contractors as are reasonably necessary to conduct Joint Operations.

4.4. Information Supplied by Operator

- (A) Operator shall provide Non-Operators the following data and reports as they are currently produced or compiled from the Joint Operations :
- (1) Copies of all electrical logs or surveys ;
 - (2) Daily drilling progress reports ;
 - (3) Copies of all drill stem tests and core analysis reports ;
 - (4) Copies of the plugging reports ;
 - (5) Copies of the final geological and geophysical maps and reports.

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- (6) Engineering studies, development schedules and monthly progress reports on development projects ;
 - (7) Field and well performance reports, including reservoir studies and reserve estimates ;
 - (8) Copies of all significant technical reports relating to Joint Operations furnished by Operator to the Government, except magnetic tapes which shall be stored by Operator and made available for inspection and/or copying at the sole expense of the Non-Operator requesting same ;
 - (9) Other reports as frequently as is justified by the activities or as instructed by the Operating Committee ; and
 - (10) Subject to Article 15.3., such additional information for Non-Operators as they or any of them from time to time may request, provided that the requesting Party or Parties pay the costs of preparation of such information. Non-operators shall consult with Operator regarding such request so that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Non-Operators who pay such costs shall receive such additional information.
- (B) Operator shall give Non-Operators access at all reasonable times to all other data acquired in the conduct of Joint Operations. Any Non-Operator may make copies of such other data at its sole expense.

4.5. Settlement of Claims and Lawsuits

- (A) Operator shall promptly notify the Parties of any and all suits and of any and all claims in excess of US Dollars fifty thousand (US\$ 50,000) and such other claims as the Operating Committee may direct which arise out of Joint Operations or relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose the claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of U.S. Dollars two hundred and fifty thousand (U.S.\$ 250,000), exclusive of legal fees. Operator shall obtain the approval and direction of the Operating Committee on amounts in excess of the above stated amount. Each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defense of such claims or suits.
- (B) Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party relating to or which may affect the Joint Operations and insofar as such claim relates to or affects

the Joint Operations such Non-Operator shall defend or settle the same in accordance with any directions given by the Operating Committee and such costs, expenses and damages as are payable pursuant to such defense or settlement shall be for the Joint Account.

- (C) Notwithstanding Article 4.5.(A) and Article 4.5.(B), each Party shall have the right to participate in any such suit, prosecution, defense or settlement conducted in accordance with Article 4.5.(A) and Article 4.5.(B) at its sole cost and expense ; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Operating Committee that it can do so without prejudicing the interests of the Joint Operations.

4.6. Liability of Operator

- (A) Except as set out in this Article 4.6. the Party designated as Operator shall bear no cost, expense or liability resulting from performing the duties and functions of the Operator. Nothing in this Article shall, however, be deemed to relieve the Party designated as Operator from any cost, expense or liability for its Participating Interest share of Joint Operations.
- (B) The Parties shall be liable in proportion to their Participating Interests and shall defend and indemnify Operator, its mother company and their consultants, agents, employees, officers and directors (the "Indemnitees") from any and all costs, expenses (including reasonable attorneys' fees) and liabilities incident to claims, demands or causes of action of every kind and character brought by or on behalf of any person or entity for damage to or loss of property or damage to the environment, or for injury to, illness or death of any person or entity, which damage, loss, injury, illness or death arises out of or is incident to any act or failure to act by Indemnitees in the conduct of or in connection with Joint Operations regardless of the cause of such damage, loss, injury, illness or death and EVEN THOUGH CAUSED IN WHOLE OR IN PART BY A PRE-EXISTING DEFECT, THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OF OPERATOR (OR ANY SUCH INDEMNITEE) ; provided that if any Senior Supervisory Personnel of Operator or of any of its Affiliates engage in Gross Negligence that proximately causes the Parties to incur cost, expense or liability for such damage, loss, injury, illness or death then Operator shall bear all such costs, expenses and liabilities.
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- (C) Notwithstanding the foregoing under no circumstances shall any Indemnitee (except as a Party to the extent of its Participating Interest) bear any cost, expense or liability for environmental, consequential, or any other similar indirect damages or losses, including but not limited to those arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control and environmental amelioration or rehabilitation.

4.7. Insurance Obtained by Operator

- (A) Operator shall procure and maintain or cause to be procured and maintained for the Joint Account all insurance in the types and amounts required by the Contract and applicable laws, rules and regulations.
- (B) Operator shall obtain such further insurance, at competitive rates, as the Operating Committee may from time to time require.
- (C) Any Party may elect not to participate in the insurance to be procured under Article 4.7. (B) provided such Party :
- (1) gives prompt written notice to that effect to Operator ;
 - (2) does nothing which may interfere with Operator's negotiations for such insurance for the other Parties ; and
 - (3) obtains and maintains such insurance (in respect of which an annual certificate of adequate coverage from a reputable insurance broker shall be sufficient evidencel or other evidence of financial responsibility which fully covers its Participating Interest share of the risk that would be covered by the insurance procured under Article 4.7.(B), and which the Operating Committee may determine to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each cash call including any cash call in respect of damages and losses and/or the costs of remedying the same in accordance with the terms of this Agreement. If such Party obtains other insurance, such insurance shall contain a waiver of subrogation in favor of all the other Parties and the Operator, but only in respect of their interests under this Agreement.
- (D) The cost of insurance in which all the Parties are participating shall be for the Joint Account and the cost of insurance in which less than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Participating Interests.

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- (E) Operator shall, in respect of all insurance obtained pursuant to this Article :
- (1) promptly inform the participating Parties when such insurance is obtained and supply them with copies of the relevant policies when the same are issued ;
 - (2) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insured on the relevant policies with waivers of subrogation in favor of all the Parties ; and
 - (3) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.
- (F) Operator shall use its reasonable efforts to require all contractors performing work in respect of Joint Operations to obtain and maintain any and all insurance in the types and amounts required by any applicable laws, rules and regulations or any decision of the Operating Committee and shall use its reasonable efforts to require all such contractors to name the Parties as additional insureds on contractor's insurance policies or to obtain from their insurers waivers of all rights or recourse against Operator and Non-Operators.

4.8. Commingling of Funds

Operator may not commingle with its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement.

4.9. Resignation of Operator

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

4.10. Removal of Operator

- (A) Subject to Article 4.11., Operator shall be removed upon receipt of notice from any Non-Operator if :
- (1) An order is made by a court or an effective resolution is passed for the dissolution, liquidation, winding up, or reorganization of Operator ;
 - (2) Operator dissolves, liquidates or terminates its corporate existence ;

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- (3) Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors ; or
 - (4) A receiver is appointed for a substantial part of Operator's assets.
-
- (B) Subject to Article 4.11., Operator may be removed by the decision of the Non-Operators if Operator has committed a material breach of this Agreement which Operator has failed to commence to rectify within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach. Any decision of Non-Operators to give notice of breach to Operator or to remove Operator under this Article 4.10(B) shall be made by the unanimous vote of all Non-Operators (excluding the Operator's Affiliates).
 - (C) If Operator together with any Affiliate of Operator is or becomes the holder of a Participating Interest of less than ten per cent (10 %), then Operator shall be required to promptly notify the other Parties. The Operating Committee shall then vote within fifteen (15) Days of such notification on whether or not a successor Operator should be named pursuant to Article 4.11.
 - (D) If there is a direct or indirect change in control of Operator (other than a transfer of control to an Affiliate of Operator), Operator shall be required to promptly notify the other Parties. The Operating Committee shall vote within fifteen (15) Days of such notification on whether or not a successor Operator should be named pursuant to Article 4.11. For purposes of this Article, control means the ownership directly or indirectly of more than fifty per cent (50%) of the shares or voting rights of Operator.

4.11. Appointment of Successor

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

- (A) The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 5.9. However, no Party may be appointed successor Operator against its will.
- (B) If the Operator disputes commission of or failure to rectify a material breach alleged pursuant to Article 4.10(B) and proceedings are initiated pursuant to Article 18, no successor Operator may be appointed pending the conclusion or abandonment of such proceedings.
- (C) If an Operator is removed, other than in the case of Article 4.10(C) or Article 4.10(D), neither Operator nor any Affiliate of Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.

- (D) A resigning or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of Article 4.10(B).
- (E) The Operating Committee shall arrange for the taking of an independent inventory of all Joint Property and Hydrocarbons, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.
- (F) The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary governmental approvals.
- (G) Upon the effective date of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of accounts, records and other documents maintained by Operator pertaining to the Contract Area and to Joint Operations. Upon delivery of the above-described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.

ARTICLE 5 - OPERATING COMMITTEE

5.1. Establishment of Operating Committee

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

5.2. Powers and Duties of Operating Committee

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

5.3. Authority to Vote

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

5.4. Subcommittees

The Operating Committee may establish such subcommittees, including technical subcommittees, as the Operating Committee may deem appropriate. The functions of such subcommittees shall be in an advisory capacity or as otherwise determined unanimously by the Parties.

5.5. Notice of Meeting

- (A) Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.
- (B) Any Non-Operator may request a meeting of the Operating Committee by giving proper notice to all the other Parties. Upon receiving such request, Operator shall call such meeting for a date not less than twenty (20) Days nor more than thirty (30) Days after receipt of the request.
- (C) The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6. Contents of Meeting Notice

- (A) Each notice of a meeting of the Operating Committee as provided by Operator shall contain:
 - (1) The date, time and location of the meeting ; and
 - (2) An agenda of the matters and proposals to be considered and/or voted upon.
- (B) A Party, by notice to the other Parties given not less than ten (10) Days prior to a meeting, may add additional matters to the agenda for a meeting.

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

5.7. Location of Meetings

All meetings of the Operating Committee shall be held in Yangon (Myanmar) or elsewhere as may be decided by the Operating Committee.

5.8. Operator's Duties for Meetings

- (A) With respect to meetings of the Operating Committee and any subcommittee, Operator's duties shall include, but not be limited to :
- (1) Timely preparation and distribution of the agenda ;
 - (2) Organization and conduct of the meeting ; and
 - (3) Preparation of a written record or minutes of each meeting.
- (B) Operator shall have the right to appoint the chairman of the Operating Committee and of all subcommittees.

5.9. Voting Procedure

5.9.1 Unanimous vote of the Parties shall be required for the following matters :

- a) Unitization (when not imposed by MOGE or any Myanmar governmental authority empowered to do so) ;
- b) Voluntary surrender of all or part of the Contract Area ;
- c) Amendment or termination of the Contract or of this Operating Agreement ;
- d) Decision with respect to the declaration of a Commercial Discovery and to the overall Development Plan and budget and delimitation of the Exploitation Area related thereto ;
- e) Projects and related budgets for drilling, deepening, side-tracking and testing of Appraisal Wells to the extent they are beyond the Minimum Work Obligations ;

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- f) Other exploration projects or part thereof and related budgets to the extent they are beyond the Minimum Work Obligations when the cost of all or any part of the exploration project beyond such Minimum Work Obligations is to exceed two (2) Million U.S. Dollars ;

5.9.2 All other matters shall be decided upon by the affirmative vote of at least two non-Affiliate Parties, representing at least an aggregate Participating Interest of sixty per cent (60 %) of the aggregate of individied Participating Interests held by all Parties. However if the concurrence of such Parties cannot be reached for decisions relating to a Work Program which has to be carried out in order to comply with the Minimum Work Obligations decisions will be taken on a simple majority basis and, absent a simple majority vote, then the Operator's proposal (restricted to those Minimum Work Obligations) shall be deemed approved by the Operating Committee.

5.10. Record of Votes

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

5.11. Minutes

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

5.12. Voting by Notice

- (A) In lieu of a meeting, Operator may submit any matter or proposal for a decision of the Operating Committee by giving each representative proper notice describing the matter or proposal so submitted. ~~Each Party shall communicate its vote by proper notice to Operator and the other Parties within one of the following appropriate time periods after receipt of Operator's notice :~~

- (1) forty eight (48) hours in the case of operations which involve the use of a drilling rig or of a 3D seismic vessel, or of a pipe laying barge that is standing by in the Contract Area and accumulating charges to the Joint Account.

- (2) fifteen (15) Days in the case of all other matters or proposals, provided however that in case of urgency such time period may be reduced, as notified by the Operator, to the extent rendered necessary by the circumstances.
- (3) twenty (20) Days in the case a revision of a current budget is submitted for approval pursuant to Article 6.7.(B).
- (B) Except in the case of Article 5.12 (A) (1), any Non-Operator may by notice delivered to all Parties within two (2) Days of receipt of Operator's notice request that the matter or proposal be decided at a meeting rather than by notice. In such an event, that matter or proposal shall be decided at a meeting duly called for that purpose.
- (C) Except as provided in Article 6.6 and in Article 10, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such matter or proposal.
- (D) If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13.

Effect of Vote

All decisions taken by the Operating Committee pursuant to this Article, shall be conclusive and binding on all the Parties, except that :

- (A) If pursuant to this Article, a Joint Operation, other than an operation to fulfil the Minimum Work Obligations, has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party shall have the right for the appropriate period specified below to propose, in accordance with Article 7, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.
 - (1) For proposals involving the use of a drilling rig that is standing by in the Contract Area, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12.(A) (1) has expired.
 - (2) For proposals to develop a Discovery, such right shall be exercisable for ten (10) Days after the date the Operating Committee was required to consider such proposal pursuant to the provisions of this Agreement.

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- (3) For all other matters or proposals, such right shall be exercisable for five (5) Days after the date the Operating Committee was required to consider such matter or proposal pursuant to the provisions of this Agreement.
- (B) If a Party voted against any matter or proposal which was approved by the Operating Committee and which is a proposal to develop a Discovery or which could be conducted as an Exclusive Operation pursuant to Article 7 other than any matter or proposal relating to Minimum Work Obligations, then such Party shall have the right not to participate in the operation contemplated by such approval. Any such Party wishing to exercise its right of non-consent must give notice of non-consent to all other Parties within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by in the Contract Area) following Operating Committee approval of such matter or proposal. The Parties that were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operating Committee approval, and shall conduct such operation as an Exclusive Operation under Article 7. Any Party that gave notice of non-consent shall be a Non-Consenting Party as to such Exclusive Operation.
- (C) If the Consenting Parties to an Exclusive Operation under Article 5.13.(A) or Article 5.13. (B) concur, then the Operating Committee may, at any time, pursuant to this Article, reconsider and approve, decide or take action on any matter or proposal that the Operating Committee declined to approve earlier, or modify or revoke an earlier approval, decision or action.
- (D) Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Re-completing, Workover or plugging of a well, has been approved and commenced, such operation shall not be discontinued without the consent of the Operating Committee ; provided, however, that such operation may be discontinued, if :
- (1) in the reasonable judgement of Operator, the safety is threatened ; or
 - (2) an impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of Operator causes the continuation of such operation to be impractical ; or
 - (3) other circumstances occur which in the reasonable judgment of Operator causes the continuation of such operation to be unwarranted and after notice the Operating Committee within the period required under Article 5.12.(A) (1) approves discontinuing such operation.

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

- (E) Notwithstanding anything to the contrary in this Agreement, no decision related to any unitization shall be taken where such unitization is not compulsory under the Contract, unless the Parties unanimously agree on such decision.

ARTICLE 6 - WORK PROGRAMS AND BUDGETS

6.1. Exploration and Appraisal

- (A) The Work Program and Budget for 1993 and for 1994 has been approved by the Parties.
- (B) Not later than September 15th of each Calendar Year, Operator shall deliver to the Parties for review a proposed preliminary Work Program and Budget detailing the Joint Operations to be performed in the Contract Area for the following Calendar Year. On or before October 15th of each Calendar Year Operator shall deliver the proposed final Work Program and Budget for the following Calendar Year, for consideration of the Operating Committee, and within thirty (30) Days of such delivery, the Operating Committee shall meet to consider and to endeavor to agree on such Work Program and Budget.
- (C) If a Discovery is made, Operator shall deliver any notice of Discovery required under the Contract and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal. If the Operating Committee determines that the Discovery merits appraisal, Operator within ninety (90) Days, shall deliver to the Parties a proposed Work Program and Budget for the appraisal of the Discovery. Within forty-five (45) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the Operating Committee, Operator shall take such steps as may be required under the Contract to secure approval of the appraisal Work Program and Budget by the Government and Government Oil Company.
- (D) The Work Program and Budget agreed pursuant to this Article shall include the Minimum Work Obligations, or at least that part of such Minimum Work Obligations required to be carried out during the Calendar Year in question

under the terms of the Contract. If within the time periods prescribed in this Article the Operating Committee is unable to agree on such Work Program and Budget, Operator shall take such actions, but only such actions for the Joint Account as are necessary to maintain the Contract in full force and effect, including the commencement and performance of a Work Program and Budget to fulfill the Minimum Work Obligations required for the given Calendar Year.

(E) Subject to Article 6.7., approval of any such Work Program and Budget, which includes :

(1) an Exploration Well, whether by drilling, Deepening or Sidetracking,

shall include approval for all expenditures necessary for drilling, and Testing such Exploration Well.

(2) an Appraisal Well, whether by drilling, Deepening or Sidetracking,

shall include approval for all expenditures necessary for drilling, Testing and Completing such Appraisal Well.

6.2. Development

(A) If the Operating Committee determines that a Discovery may be commercial, the Operator shall, as soon as practicable, deliver to the Parties a Development Plan together with the first annual Work Program and Budget and provisional Work Programs and Budgets for the remainder of the development of the Discovery, which shall contain, inter alia :

(1) Details of the proposed work to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a Calendar Year basis ;

(2) An estimated date for the commencement of production ;

(3) A delineation plan of the proposed Exploitation Area ; and

(4) Any other information requested by the Operating Committee.

(B) After receipt of the Development Plan, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the Development Plan and the first annual Work Program and Budget for the development submitted by Operator. If the Development Plan is approved by the Operating Committee, Operator shall, as soon as possible, deliver any notice of Commercial Discovery required under the Contract and take such other steps as may be required under the Contract to secure approval of

the Development Plan by the Government and Government Oil Company. In the event the Government or Government Oil Company requires changes in the Development Plan, the matter shall be resubmitted to the Operating Committee for further consideration.

- (C) If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and Operator shall, on or before the 15th of September of each Calendar Year submit a preliminary Work Program and Budget for the Exploitation Area for the following Calendar Year. On or before October 15th of each Calendar Year Operator shall deliver the proposed final Work Program and Budget for the following Calendar Year for consideration of the Operating Committee and within thirty (30) Days after such submittal, the Operating Committee shall endeavour to agree to such Work Program and Budget, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Plan.

6.3. Production

Not later than September 15th of each Calendar Year, Operator shall deliver to the Parties a proposed preliminary production Work Program and Budget detailing the Joint Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year. On or before October 15th of each Calendar Year Operator shall deliver the proposed final Work Program and Budget for the following Calendar Year for consideration of the Operating Committee and within thirty (30) Days of such delivery, the Operating Committee shall agree upon a production Work Program and Budget.

6.4. Itemization of Expenditures

- (A) During the preparation of the proposed Work Programs and Budgets and Development Plans contemplated in this Article, Operator shall consult with the Operating Committee regarding the contents of such Work Programs and Budgets and Development Plans.
- (B) Each Work Program and Budget and Development Plan submitted by Operator shall contain an itemized estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question.
- (C) The Work Program and Budget shall designate the portion or portions of the Contract Area in which Joint Operations itemized in such Work Program and Budget are to be conducted and shall specify the kind and extent of such operations in such details as the Operating Committee may deem suitable.
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6.5. Contract Awards

Unless otherwise agreed by the Operating Committee and except for the services of its parent company, the Operator shall invite competitive bids for all contracts pertaining to the performance of operations in the Contract Area and anticipated to require payments in excess of one million US Dollars (US\$ 1,000,000) and shall notify the Parties when a contractual commitment is entered into and supply the Parties at their request with copies of each such contract and of any subsequent revisions thereto. Operator shall take into account the current availabilities of the international market, the Operator's own availabilities and the provisions of the Contract.

6.6. Authorization for Expenditure ("AFE") Procedure

- (A) The Operator shall be entitled to make or commit to such expenditures for the Joint Account as it shall consider necessary and prudent in order to carry out a good and workmanlike operation for the Joint Account provided however that the Operator shall not make or commit to an expenditure for the Joint Account for any single capital budget item or identifiable project of a value in excess of two million (2,000,000) US Dollars without AFE approval having been given by the Parties in respect of such operations. Such two million (2,000,000) US Dollars level may be adjusted by the Management Committee to reflect inflation.

Such AFE shall contain information describing the type of Operation, and the purpose, location and estimated cost thereof. In the event that the Operation proposed is the drilling of a well, the AFE shall be supported by the following information :

- (i) Well prognosis including :
- surface location and the proposed bottom hole location of the well
 - proposed depth of objective horizon(s)
 - logging programme
 - coring programme
 - casing programme
 - testing programme (if any)
 - completion programme (if any)

- (iii) estimated cost of the proposed operation, itemized separately as dry hole (plugged and abandoned), tested and completed well costs ; and
- (B) An AFE will require approval of Participating Interest equalling sixty (60) per cent or more and the Parties shall be bound by such approval.
- (C) Parties receiving an AFE not exceeding twelve million (12,000,000) US Dollars shall, within twelve (12) days of receipt thereof, give written notice to the other Parties stating approval or disapproval, and return to the Operator the signed or rejected AFE.
- (D) Parties receiving an AFE exceeding twelve million (12,000,000) US Dollars but not exceeding thirty six million (36,000,000) US Dollars shall, within twenty-one (21) days of receipt thereof, give written notice to the other Parties stating approval or disapproval, and return to the Operator the signed or rejected AFE.
- (E) Parties receiving an AFE exceeding thirty six million (36,000,000) US Dollars shall, within twenty-six (26) days of receipt thereof, give written notice to the other Parties stating approval or disapproval, and return to the Operator the signed or rejected AFE.
- (F) The Parties shall exercise all their reasonable endeavours to return the AFE within the aforementioned twelve (12), twenty-one (21) or twenty-six (26) day period dependent upon the value of the AFE.

Failure to return an AFE within the aforementioned twelve (12), twenty-one (21) or twenty-six (26) day period shall be deemed to be an approval of the AFE.
- (G) Parties having approved budget items may not reject AFEs for those budget items, unless the costs shown on the AFEs are more than ten (10) per cent greater than the estimate of costs included in the budget or, unless there are sound technical reasons for rejection of the AFE, which shall be indicated in writing.
- (H) If during the drilling of a well, the Operator needs funds to deepen or test a well and by so doing will exceed the limits established in this Clause 6.6, the Operator may contact the relevant Parties by telex and request approval of such additional expenditure. In such event the response period shall be reduced to forty eight (48) hours. Failure to respond within the forty eight (48) hours shall be deemed to be an approval of the request.
- (I) Irrespective of the value, a Party shall have the right of access to the documents associated with any AFE.

- (J) The restriction contained in this Article shall be without prejudice to Operator's rights to make expenditures as set out in Article 4.2.(B) (11) and Article 13.5.

6.7. Overexpenditures of Work Programs and Budgets

- (A) For expenditures on any line item of an approved Work Program and Budget, Operator shall be entitled to incur without as the case may be furnishing a supplemental AFE overexpenditures for such line item up to ten per cent (10 %) of the authorized amount for such line item ; provided that cumulative total of all overexpenditures for a Calendar Year shall not exceed five per cent (5 %) of the total Work Program and Budget in question.
- (B) At such time that Operator is certain that the limit of five percent (5%) of Article 6.7.(A) will be exceeded, Operator shall submit a revision of the current budget to the Operating Committee for its approval and shall provide the Parties with full details of such overexpenditures. Operator shall promptly give notice of the amounts of overexpenditures when actually incurred.
- (C) Subject to Article 4.2.(B) (11), Operator may not undertake expenditures, with respect to activities or operations not contemplated by the approved Budget aggregating in excess of the equivalent of five hundred thousand United States Dollars (US \$ 500,000) without first obtaining the express approval of the Operating Committee.

If the Operator expends all or a portion of the equivalent of five hundred thousand United States Dollars (US \$ 500,000), it may obtain the approval of all Parties in respect thereto and thereafter the amount so approved may be available for such non anticipated expenditures prior to the approval of the next annual budget. This is intended by the Parties to provide the Operator with a single limited discretionary contingency fund which would be replenished after the details of its expenditures have been reported to the Parties and have received the approval of the Operating Committee.

ARTICLE 7 - OPERATIONS BY LESS THAN ALL PARTIES

7.1. Limitation on Applicability

- (A) No operations may be conducted in furtherance of the Contract except as Joint Operations under Article 5, or as Exclusive Operations under this Article. No Exclusive Operation shall be conducted which conflicts with a Joint Operation.

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- (B) Operations which are required to fulfill the Minimum Work Obligations must be proposed and conducted as Joint Operations under Article 5, and may not be proposed or conducted as Exclusive Operations under this Article.

Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Workover of a well drilled to fulfill the Minimum Work Obligations, no Exclusive Operations may be proposed or conducted until the Minimum Work Obligations for the then current Contract period are fulfilled.

- (C) No Party may propose or conduct an Exclusive Operation under this Article, unless and until such Party has properly exercised its right to propose an Exclusive Operation pursuant to Article 6.13., or is entitled to conduct an Exclusive Operation pursuant to Article 10.
- (D) Subject to this Article, any operation that may be proposed and conducted as a Joint Operation, other than operations pursuant to an approved Development Plan or production Work Program may be proposed and conducted as an Exclusive Operation.

7.2. Procedure to Propose Exclusive Operations

- (A) Subject to Article 7.1., if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Parties who have relinquished their Participating Interest in the Exploitation Area in which the proposed operation is to be conducted. Such notice shall specify that such operation is proposed as an Exclusive Operation, the work to be performed, the location, the objectives, and estimated cost of such operation.
- (B) Any Party entitled to receive such notice shall have the right to participate in the proposed operation.
- (1) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is standing by in the Contract Area, any such Party wishing to exercise such right must so notify Operator within twenty-four (24) hours after receipt of the notice proposing the Exclusive Operation.
- (2) For proposals to develop a Discovery, any Party wishing to exercise such right must so notify the Party proposing to develop within twenty (20) Days after receipt of the notice proposing the Exclusive Operation.

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- (3) For all other proposals, any such Party wishing to exercise such right must so notify Operator within ten (10) Days after receipt of the notice proposing the Exclusive Operation.
- (C) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.
- (D) If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. The Operator shall commence such Joint Operations as promptly as practicable and conduct it with due diligence.
- (E) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then :
- (1) Immediately after the expiration of the applicable notice period set out in Article 7.2.(B), the Operator shall notify all Parties of the names of the Consenting Parties and the recommendation of the proposing Party as to whether the Consenting Parties should proceed with the Exclusive Operation.
- (2) Concurrently, Operator shall request the Consenting Parties to specify the Participating Interest each Consenting Party is willing to bear in the Exclusive Operation.
- (3) Within twenty-four (24) hours after receipt of such notice, each Consenting Party shall respond to the Operator stating that it is willing to bear a Participating Interest in such Exclusive Operation equal to :
- (a) Only its Participating Interest as stated in Article 3.1.(A) ;
- (b) A fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.1.(A) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.1.(A) ; or
- (c) The total of its Participating Interest as contemplated by Article 7.2. (E) (3) (b) plus all or any part of the difference between one hundred per cent (100 %) and the total of the Participating Interest subscribed by the other Consenting Parties.
- (4) Any Consenting Party failing to advise Operator within the response period set out above shall be deemed to have elected to

bear the Participating Interest set out in Article 7.2.(E) (3) (b) as to the Exclusive Operation.

- (5) If within the response period set out above, the Consenting Parties subscribe less than one hundred per cent (100 %) of the Participating Interest in the Exclusive Operation, the Party proposing such Exclusive Operation shall be deemed to have withdrawn its proposal for the Exclusive Operation, unless within twenty-four (24) hours of the expiry of the response period set out in Article 7.2.(E) (3), the proposing Party notifies the other Consenting Parties that the proposing Party shall bear the unsubscribed Participating Interest.
- (6) If one hundred per cent (100 %) subscription to the proposed Exclusive Operation is obtained, Operator shall promptly notify the Consenting Parties of their Participating Interests in the Exclusive Operation.
- (7) As soon as any Exclusive Operation is fully subscribed pursuant to Article 7.2.(E) (6) Operator (subject to Article 7.8.(G)), shall commence such Exclusive Operation as promptly as practicable and conduct it with due diligence in accordance with this Agreement.
- (8) If such Exclusive Operation has not been commenced within one hundred and eighty (180) Days (excluding any extension specifically agreed by all Parties or allowed by the Force Majeure provisions of Article 16), the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, written notice proposing such operation must be resubmitted to the Parties in accordance with Article 5, as if no proposal to conduct an Exclusive Operation had been previously made.

7.3. Responsibility for Exclusive Operations

- (A) The Consenting Parties shall bear in accordance with the Participating Interests agreed under Article 7.2.(E) the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any and all costs and liabilities incurred incident to such Exclusive Operation (included 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 Contract Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.

- (B) Notwithstanding Article 7.3. (A), each Party shall continue to bear its Participating Interest share of the cost and liability incident to the operations in which it participated, including but not limited to plugging and abandoning and removing and disposing of structures and equipment as required, but only to the extent those costs were not increased by the Exclusive Operation.

7.4. Consequences of Exclusive Operations

- (A) With regard to any Exclusive Operation, for so long as a Non-Consenting Party has the option to re-instate the rights it relinquished under Article 7.4.(B) below, such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties, to all data and other information relating to such Exclusive Operation, other than G & G Data obtained in such Exclusive Operation. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, for use within the Contract Area, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in Article 3.1.(A) of the cost incurred in obtaining such G & G Data.
- (B) With regard to any Exclusive Operation and subject to Article 7.4.(C) below, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in the Exclusive Operation :
- (1) All of each such Non-Consenting Party's right to participate in further operations on any Discovery made in the course of such Exclusive Operation ; and
 - (2) All of each such Non-Consenting Party's right pursuant to the Contract to take and dispose of Hydrocarbons produced and saved ;
 - (a) From the well in which such Exclusive Operation was conducted, and
 - (b) From any wells drilled to appraise or develop a Discovery made in the course of such Exclusive Operation.
- (C) A Non-Consenting Party shall have the following and only the following options to reinstate the rights it relinquished pursuant to Article 7.4.(B) :
- (1) If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal program. For thirty (30) Days (or forty-eight (48) 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-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4.(B) and to participate in such appraisal program. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal program, to pay the lump sum amount as set out in Article 7.5.(A) and to pay the Cash Premium as set out in Article 7.5.(B) ;

- (2) If the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the Government under the Contract. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Contract, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4.(B) and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying the Party proposing to act as Operator for such Development Plan within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, to pay the lump sum amount as set out in Article 7.5.(A) and to pay the Cash Premium as set out in Article 7.5.(B).
- (3) If the Consenting Parties decide to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework an Exclusive Well and such further operations was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non-Consenting Parties the approved program 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 program, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4.(B) and to participate in such operation. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such further operation, to pay the lump sum amount as set out in Article 7.5.(A) and to pay the Cash Premium as set out in Article 7.5.(B).
- (D) If a Non-Consenting Party does not properly and in a timely manner exercise such option, including paying in a timely manner in accordance

with Article 7.5., all lump sum amounts and Cash Premium due to the Consenting Parties, such Non-Consenting Party shall have forfeited the options as set out in Article 7.4.(C) and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded prior to the commencement of operations thereon or thereunder (in which case such options shall be re-offered).

(E) A Non-Consenting Party shall become a Consenting Party with regard to an Exclusive Operation at such time as the Non-Consenting Party gives proper notice pursuant to Article 7.4.(C) ; provided that such Non-Consenting Party shall in no way be deemed to be entitled to any lump sum amount as set out in Article 7.5.(A) or Cash Premium as set out in Article 7.5.(B) paid incident to such Exclusive Operation and related to expenses incurred prior to such joining. The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in Article 3.1.(A). The previous Consenting Parties shall contribute in proportion to their respective Participating Interests in such Exclusive Operation to re-establish the Participating Interest of the Non-Consenting Party. If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Article 5.

(F) If after the expiry of the period in which a Non-Consenting Party may exercise its option to participate in a Development Plan the Consenting Parties desire to proceed, the Party chosen by the Consenting Parties proposing to act as Operator for such development, shall give notice to the Government under the appropriate provision of the Contract requesting a meeting to advise the Government that the Consenting Parties consider the Discovery to be a Commercial Discovery. Following such meeting such Operator for such development shall apply for an Exploitation Area (if applicable in the Contract). Unless the Development Plan is materially modified or expanded prior to the commencement of operations under such plan (in which case the corresponding option set out in Article 7.4.C. shall be re-offered), each Non-Consenting Party to such Development Plan shall :

(1) If the Contract so allows, elect not to apply for an Exploitation Area covering such development and forfeit all interest in such Exploitation Area ; or

(2) If the Contract does not so allow, be deemed to have :

(a) Elected not to apply for an Exploitation Area covering such development ;

(b) Forfeited all economic interest in such Exploitation Area ;

- (c) Agreed to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

In either case such Non-Consenting Party shall be deemed to have withdrawn from this Agreement to the extent it relates to such Exploitation Area, even if the Development Plan is modified or expanded subsequent to the commencement of operations under such Development Plan.

7.5. Premium to Participate in Exclusive Operations

- (A) Within thirty (30) Days of the exercise of its option under Article 7.4.(C), each such Non-Consenting Party shall pay in immediately available funds to the Consenting Parties who took the risk of such Exclusive Operations in proportion to their respective Participating Interests in such Exclusive Operations a lump sum amount payable in the currency designated by such Consenting Parties. Such lump sum amount shall be equal to such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in every Exclusive Operations relating to the Discovery, or well, as the case may be, in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4.(B), and that were not previously paid by such Non-Consenting Party.
- (B) In addition to Article 7.5.(A) within thirty (30) Days of the exercise of its option under Article 7.4.(C) each such Non-Consenting Party shall pay in immediately available funds, in the currency designated by the Consenting Parties who took the risk of such Exclusive Operations, to such Consenting Parties in proportion to their respective initial Participating Interests in the Exclusive Operation a Cash Premium equal to the total of :
- (1) One thousand per cent (1 000 %) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party ; plus
- (2) One thousand per cent (1 000 %) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Workover of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4.(B), and that were not previously paid by such Non-Consenting Party ; plus

- (3) Five hundred per cent (500 %) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Workover of the Appraisal Well(s) which delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4.(B), and that were not previously paid by such Non-Consenting Party.

7.6. Order of Preference of Operations

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

7.7. Stand By Costs

- (A) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand-by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back,

Recompleting, Workover or other further operation in such well (including the period required under Article 7.6. to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing to participate in the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.

- (B) If a further operation is proposed while the drilling rig to be utilized is on location, any Party may request and receive up to five (5) additional Days after expiration of the applicable response period specified in Article 7.2.(B) within which to respond by notifying Operator that such Party agrees to bear all stand by costs and other costs incurred during such extended respond period. Operator may require such Party to pay the estimated stand by time in advance as a condition to extending the response period. If more than one Party requests such additional time to respond to the notice, stand by costs shall be allocated between such Parties on a Day-to-Day basis in proportion their Participating Interests bear to the aggregate of their Participating Interests.

7.8. Miscellaneous

- (A) Each Exclusive Operation shall be carried out by the Consenting Parties acting as an Operating Committee for the Exclusive Operation, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Operation and subject to the terms and conditions of the Contract.
- (B) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.
- (C) Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such operations.
- (D) Operator while conducting an Exclusive Operation for the Consenting Parties shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to

Operator in respect of any Exclusive Operations conducted by it.

- (E) Should the submission of a Development Plan be approved in accordance with Article 5.9. or should any Party propose a development in accordance with Article 7, with either proposal not calling for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right to future reimbursement of costs or to any Premium, pursuant to Article 7.5. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party proposing to apply for an Exploitation Area decides to not develop the reservoir, then each Non-Consenting Party who voted in favor of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.
- (F) In the case of any Exclusive Operation for Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Rework, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, that is not needed for Joint Operations, but the ownership of all such equipment shall remain unchanged. On abandonment of a well after such Exclusive Operation, the Consenting Parties shall account for all such equipment to the Parties who shall receive their respective Participating Interest shares, in value, less cost of salvage.
- (G) If the Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then subject to obtaining any necessary Government approval the Operator may resign, but in any event shall resign on the request of the Consenting Parties, as Operator for the Exploitation Area for such Discovery and the Consenting Parties shall select a Consenting Party to serve as Operator.

ARTICLE 8 - DEFAULT

8.1. Default and Notice

Any Party that fails to pay when due its Participating Interest share of Joint Account expenses including cash advances and interest, accrued pursuant to this Agreement (a "Defaulting Party") shall be in default under this Agreement. Operator, or any other Party in the case of the default of Operator, shall promptly give written notice of such default to such Party and each of the non-defaulting Parties. The amount not paid by the Defaulting Party shall bear interest from the date due until paid in full. Interest will be calculated using the Agreed Interest Rate.

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8.2. Operating Committee Meetings and Data

After any default has continued for five (5) Business Days from the date of written notice of default under Article 8.1., and for as long thereafter as the Defaulting Party remains in default on any payment due under this Agreement, the Defaulting Party shall not be entitled to attend Operating Committee meetings or to vote on any matter coming before the Operating Committee during the period such default continues. Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party shall be in the proportion which its Participating Interest bears to the total of the Participating Interests of all the non-defaulting Parties. Any matters requiring unanimous vote of the Parties shall be deemed to exclude the Defaulting Party. After the said five (5) Business Days and while the Defaulting Party remains in default as aforesaid, the Defaulting Party shall not have access to any data or information relating to Joint Operations, and non-defaulting Parties shall be entitled to trade data without such Defaulting Party's consent and the Defaulting Party shall have no right to any data received on such trade unless and until its default is remedied in full. Notwithstanding the foregoing, the Defaulting Party shall be deemed to have approved, and shall join with the non-defaulting Parties in taking any action to maintain and preserve the Contract.

8.3. Allocation of Defaulted Accounts

(A) Operator shall, either at the time of giving notice of default as provided in Article 8.1., or by separate notice, notify each non-defaulting Party the sum of money it is to pay as its portion (such portion being in the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties) of such amount in default. Each non-defaulting Party shall, if such default continues, pay Operator, within five (5) Business Days after receipt of such notice, its share of the amount which the Defaulting Party failed to pay. If any non-defaulting Party fails to pay its share of the amount in default as aforesaid, such non-defaulting Party shall thereupon be in default and shall be a Defaulting Party subject to the provisions of this Article. The non-defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective share of the principal and interest payable by such Defaulting Party pursuant to Article 8.1.

(B) The total of all amounts paid by the non-defaulting Parties for the Defaulting Party, together with interest accrued on such amounts shall constitute a debt due and owing by the Defaulting Party to the non-defaulting Parties in proportion to such amounts paid. In addition the non-defaulting Parties may in the manner contemplated by this Article, satisfy such debt (together with interest) and may accrue an amount equal to the Defaulting Party's Participating Interest share of the estimated cost to abandon any Joint Property.

- (C) A Defaulting Party may remedy its default by paying to Operator the total amount due, together with interest calculated as provided in Article 8.1, at any time prior to transfer of its interest pursuant to Article 8.4., and upon receipt of such payment Operator shall remit to each non-defaulting Party its proportionate share of such amount.
- (D) The rights granted to each non-defaulting Party pursuant to this Article, shall be in addition to, and not in substitution for any other rights or remedies which each non-defaulting Party may have at law or equity or pursuant to the other provisions of this Agreement

8.4. Transfer of Interest

- (A) For thirty (30) Days after each failure by the Defaulting Party to remedy its default by the thirtieth (30th) Day following notice of default without prejudice to any other rights of the non-defaulting Parties to recover the amounts paid for the Defaulting Party, together with interest accrued on such amount, each non-defaulting Party shall have the option to give notice to the Defaulting Party requiring the Defaulting Party to transfer its interest to the non-defaulting Parties. To that end if any of the non-defaulting Parties so elect, the Defaulting Party shall be deemed to have transferred and to have empowered the electing non-defaulting Parties to execute on said Defaulting Party's behalf any documents required to effect a transfer of all of its right, title and beneficial interest in and under this Agreement and the Contract, and in all wells and Joint Property to the electing non-defaulting Parties. If requested, each Party shall execute a Power of Attorney in the form prescribed by the Operating Committee. 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, the obtaining of 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 prompt and valid transfer of the interests described above, free of all liens and encumbrances. In the event all Government approvals are not timely obtained, the Defaulting Party shall hold its Participating Interests in trust for such non-defaulting Parties who elected to assume such Defaulting Party's Participating Interest.
- (B) In the absence of an agreement among the non-defaulting Parties to the contrary, any such transfer to the non-defaulting Parties shall be in the proportion that the non-defaulting Parties have paid the amounts due from the Defaulting Party.
- (C) Subject to Article 12.1.(C), on the effective date of such transfer the Defaulting Party shall forthwith cease to be a Party to this Agreement to

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the extent of the Participating Interest so transferred. The acceptance or non-acceptance by a non-defaulting Party of any portion of a Defaulting Party's Participating Interest shall be without prejudice to any rights or remedies such non-defaulting Parties have to recover the outstanding debts (including interest) owed by the Defaulting Party.

8.5. Continuation of Interest

If within thirty (30) Days after each failure by the Defaulting Party to remedy its default by the thirtieth (30th) Day following notice of default the non-defaulting Parties elect to not acquire the Defaulting Party's Participating Interest as provided in Article 8.4 and to continue to bear the Defaulting Party's Participating Interest share of liabilities and expenses, then the non-defaulting Parties shall accumulate all such liabilities and expenses as a debt pursuant to Article 8, but the Defaulting Party shall continue to be a Party subject to Article 8.2 and Article 8.7. If Operator disposes of any Joint Property or any other credit or adjustment is made to the Joint Account, or if Operator sells any of the Defaulting Party's Participating Interest share of Hydrocarbons, then, in respect of the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit or adjustment or sale, Operator shall be entitled to retain and to set off the same against all amounts, together with interest accrued on such amount, due and owing from the Defaulting Party plus an accrued amount equal to the Defaulting Party's Participating Interest share of the estimated cost to abandon any Joint Property. Any surplus remaining after setting off the same as aforesaid shall be paid promptly to the Defaulting Party.

8.6. Abandonment

If, within thirty (30) Days after the failure by the Defaulting Party to remedy its default by the thirtieth (30th) Day as aforesaid, no non-defaulting Party elects to acquire the Defaulting Party's Participating Interest as provided in Article 8.4, or to bear the Defaulting Party's Participating Interest share of liabilities and expenses as provided in Article 8.5, then no transfer shall be made and Joint Operations shall be abandoned subject to any necessary consents and notices being given, and each Party, including the Defaulting Party shall pay its Participating Interest share of all costs of abandoning and relinquishing the Contract. If abandonment occurs as aforesaid, all monies paid by the non-defaulting Parties for the Defaulting Party pursuant to Article 8.3, together with interest accrued on such amount, shall remain a debt due and owing by the Defaulting Party.

8.7. Sale of Hydrocarbons

If a Party defaults after the commencement of commercial production and has not remedied the default by the thirtieth (30th) Day as aforesaid, then, during the continuance of such default, the Defaulting Party shall not be entitled to its Participating Interest share of Hydrocarbons which shall vest in and be the property of the non-defaulting Parties, and Operator shall be authorized to sell

such Hydrocarbons at the best price obtainable under the circumstances and, after deducting all costs, charges and expenses incurred by Operator in connection with such sale, pay the proceeds proportionately to the non-defaulting Parties which proceeds shall be credited against all monies advanced pursuant to Article 8.3, together with interest accrued thereon. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties. Notwithstanding any such sales by Operator, the provisions of Article 8.4 shall continue to apply.

8.8. No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party shall not, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article, raise by way of set off or invoke as a defense, whether in law or equity, any failure to pay amounts due and owing under this Agreement or any alleged or unliquidated claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Such Party shall not raise by way of defense, whether in law or in equity, that the nature or the amount of the remedies granted to the non-defaulting Parties is unreasonable or excessive.

ARTICLE 9 - DISPOSITION OF PRODUCTION

9.1. Right and Obligation to Take in Kind

Except as otherwise provided in this Article, each Party shall have the right and obligation to own, take in kind and separately dispose of its Participating Interest share of total production available to the Parties pursuant to the Contract from any Exploitation Area in such quantities and in accordance with such procedures as may be set forth in the offtake agreement referred to in Article 9.2 or in the special arrangements for natural gas referred to in Article 9.3. If Government Oil Company is party to the offtake agreement, then the Parties shall endeavour to obtain its agreement to the principles set forth in this Article.

9.2. Offtake Agreement for Crude Oil

If Crude Oil is to be produced from an Exploitation Area, the Parties shall in good faith, and not less than three (3) months prior to first delivery of crude oil, negotiate and conclude the terms of an agreement to cover the offtake of Crude Oil produced under the Contract. The Government Oil Company may, if necessary and practicable, also be party to the offtake agreement. This offtake agreement shall, to the extent consistent with the Contract, make provision for :

- (A) The delivery point, at which title and risk of loss of Participating Interest shares of Crude Oil shall pass to the Parties interested (or as the Parties may otherwise agree) ;
- (B) Operator's regular periodic advice to the Parties of estimates of total available production for succeeding periods, Participating Interest shares and grades of Crude Oil, for as far ahead as is necessary for Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of Crude Oil total available production and deliveries for the preceding period, inventory and overlifts and underlifts ;
- (C) Nomination by the Parties to Operator of acceptance of their Participating Interest share of total available production for the succeeding period. Such nominations shall in any one period be for each Party's entire Participating Interest share arising during that period subject to operational tolerances and agreed minimum economic cargo sizes or as the Parties may otherwise agree ;
- (D) Elimination of overlifts and underlifts ;
- (E) If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths ;
- (F) Distribution to the Parties of Entitlements to ensure, to the extent Parties take delivery of their Entitlements in proportion to the accrual of such Entitlements, that each Party shall receive currently Entitlements of grades, gravities and qualities of Hydrocarbons similar to Hydrocarbons received by each other Party.
- (G) To the extent that distribution of Entitlements on such basis is impracticable due to availability of facilities and minimum cargo sizes, a method of making periodic adjustments ; and
- (H) The option and the right of the other Parties to sell an Entitlement which a Party fails to nominate for acceptance pursuant to (C) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of Operator's or Parties' obligations under the terms of the Contract, or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption in Joint Operations. Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen. Any sale shall be of the unominated or undelivered Entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual

commitments. Sales to non-affiliated third parties shall be for the realized price f.o.b. the delivery point. Sales to any of the Parties or their Affiliates shall be at current market value f.o.b. the delivery point. The Party arranging the sale shall pay to the Party whose Entitlement is involved the above price after deduction of all costs, including storage costs, incurred in respect of such sale and a marketing fee of an agreed percentage of the applicable price less deductions, reflecting actual costs of disposal at immediate notice. Current market value shall be the value of the Entitlement in international markets (unless the Entitlement was required to be delivered into the Government's domestic market, in which case it shall be the value therein) between a willing buyer and a willing seller and shall be agreed between the two Parties concerned, or failing agreement, determined by an expert to be appointed in accordance with procedures set forth in the offtake agreement.

9.3. Separate Agreement for Natural Gas

The Parties acknowledge that Discovery(ies) of natural gas have been made, which the Parties consider may be commercial. If commerciality is declared, the Parties shall enter into special arrangements for the disposal of the natural gas, which are consistent with the Development Plan and subject to the terms of the Contract.

ARTICLE 10 - ABANDONMENT OF WELLS

10.1. Abandonment of Wells Drilled as Joint Operation

- (A) Any well which has been drilled as a Joint Operation and which is proposed to be plugged and abandoned shall not be plugged and abandoned without the consent of all Parties.
- (B) Should any Party fail to reply within the period prescribed in Article 5.12.(A) (1) of Article 5.12.(A) (2), whichever is applicable, after delivery of notice of the Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment. If all the Parties consent to abandonment, such well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk ~~and expense of the Parties who participated in the cost of drilling such~~ well.
- (C) If all Parties do not agree to the abandonment of such well, those wishing to continue operations shall assume financial responsibility over the well and shall be deemed to be Consenting Parties conducting an Exclusive Operation pursuant to Article 7. In the case of a producing well, the Consenting Parties shall be entitled to continue producing only from the Zone open to production at the time they assumed responsibility for the well.

However, such right to take over an abandoned well shall only apply when the abandonment of the well corresponds to an abandonment of the prospect, and not when such well is abandoned only for practical purposes in favor of (a) replacement well(s).

- (D) Consenting Parties taking over a well as provided above shall tender to each of the Non-Consenting Parties such Non-Consenting Parties' Participating Interest share of the value of the well's salvable material and equipment, determined in accordance with the Accounting Procedure, less the estimated cost of salvaging and the estimated cost of plugging and abandoning as of the date the Consenting Party assumed responsibility for the well ; provided, however, that in the event the estimated plugging and abandoning and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning Parties shall continue to be liable pursuant to Article 7.3.(B) for their respective Participating Interest shares of the estimated excess cost.
- (E) Each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment in accordance with Article 7.4.(B), insofar and only insofar as such interest covers the right to obtain production from that wellbore in the Zone then open to production.
- (F) Subject to Article 7.8 (G), Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

10.2. Abandonment of Exclusive Operations

This Article shall apply mutatis mutandis to the abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted ; provided that no well shall be permanently plugged and abandoned unless and until all Parties having the right to conduct further operations in such well have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article 10.

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ARTICLE 11 - SURRENDER, EXTENSIONS AND RENEWALS

11.1. Surrender

- (A) If the Contract requires the Parties to surrender any portion of the Contract Area, Operator shall advise the Operating Committee of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Prior to the end of such period, the Operating Committee shall determine pursuant to Article 5, the size and shape of the surrendered area, consistent with the requirements of the Contract. If a sufficient vote of the Operating Committee cannot be attained, then the proposal supported by a simple majority of the Participating Interests, shall be adopted. If no proposal attains the support of a simple majority of the Participating Interests then the proposal receiving the largest Participating Interest vote in aggregate shall be adopted. In the event of a tie, the Operator shall choose among the proposals receiving the largest Participating Interest vote in aggregate. The Parties shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against Operator and any other Parties on account of any area surrendered in accordance with the foregoing but against its recommendation if Hydrocarbons are subsequently discovered under the surrendered area.
- (B) A surrender of all or any part of the Contract Area other than pursuant to Article 11.1. (A) above shall require the unanimous consent of the Parties.

11.2. Extension of the Term

- (A) A proposal by any Party to extend the term of the Appraisal or Exploitation Period or any phase of the Contract, a proposal to enter into a new phase of the Appraisal Period, and a proposal to extend the term of the Contract shall be brought before the Operating Committee pursuant to Article 5.
- (B) Any Party shall have the right to extend the term of the Appraisal or Exploitation Period or any phase of the Contract to enter into a new phase of the Appraisal Period or extend the term of the Contract. Any Party not wishing to enter or to extend, shall have a right to withdraw, subject to the requirements of Article 13.

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ARTICLE 12 - TRANSFER OF INTEREST OR RIGHTS

12.1. Obligations

- (A) Subject always to the requirements of the Contract, the transfer of all or part of a Party's Participating Interest shall be effective only if it satisfies the terms and conditions of this Article.
- (B) Except in the case of a Party transferring all of its Participating Interest, no transfer shall be made by any Party which results in the transferor or the transferee holding a Participating Interest of less than ten percent (10 %) or holding any interest other than a Participating Interest in the Contract, the Contract Area and this Agreement.
- (C) The transferring Party shall, notwithstanding the transfer, be liable to the other Parties for any obligations, financial or otherwise, which have vested, matured or accrued under the Contract or this Agreement prior to such transfer. Such obligations shall include, without limitation, any proposed expenditure approved by the Operating Committee, prior to the transferring Party notifying the other Parties of its proposed transfer.
- (D) The transferee shall have no rights in and under the Contract, the Contract Area or this Agreement unless and until it obtains the necessary Government's approval and expressly undertakes in writing to perform the obligations of the transferor under the Contract and this Agreement in respect of the Participating Interest being transferred, to the satisfaction of the Parties and furnishes any guarantees required by the Government or the Contract.
- (E) The transferee shall have no rights in and under the Contract, the Contract Area or this Agreement unless each Party has consented in writing to such transfer, which consent shall be denied only if such transferee fails to establish to the reasonable satisfaction of each Party its financial or technical capability to perform its obligations under the Contract and this Agreement.
- ~~(F) Nothing contained in this Article shall prevent a Party from mortgaging, pledging, charging or otherwise encumbering all or part of its interest in the Contract Area and in and under this Agreement for the purpose of security relating to finance provided that :~~
 - (1) Such Party shall remain liable for all obligations relating to such interest ;
 - (2) The encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the

other Parties under this Agreement ; and

- (3) Such Party shall ensure that any such mortgage, pledge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.
- (G) Any transfer of all or a portion of Participating Interest whether directly or indirectly by assignment, merger, consolidation, or sale of stock, or other conveyance, other than with or to an Affiliate, shall be subject to the following procedure :
- (1) Once the transferor Party and a proposed transferee (a third party or a Party) have fully negotiated the final terms and conditions of a transfer, such final terms and conditions shall be disclosed in detail to all Parties in a written notification from the transferor. Each Party shall have the right to acquire the Participating Interest from the transferor on the same terms and conditions agreed to by the proposed transferee if, within thirty (30) Days of transferor's written notification, such Party delivers to all other Parties a counter-notification that it accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If no Party delivers such counter-notification, the transfer to the proposed transferee may be made, subject to the other provisions of this Article 12, under terms and conditions no more favourable to the transferee than those set forth in the notice to the Parties, provided that the transfer shall be concluded within one hundred eighty (180) Days from the date of the notice plus such reasonable additional period as may be required to secure governmental approvals.
- (2) If more than one Party counter-notifies that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless they otherwise agree ; and
- (3) In the event that a Party's proposed transfer of part or all of its Participating Interest involves consideration other than cash or involves other properties included in a wider transaction (package deal) then the consideration payable for the Participating Interest exclusively shall be allocated a reasonable and justifiable cash value by the transferor in any notification to the other Parties. Such other Parties may satisfy the requirements of this Article by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

12.2. Rights

- (A) Each Party shall have the right, subject to the provisions of Article 12.1., to freely transfer its Participating Interest.
- (B) If the transfer of all or a portion of a Party's Participating Interest whether directly or indirectly by assignment, merger, consolidation, sale of stock, or other conveyance is part of a wider transaction (package deal) involving such assets, such transfer shall be subject to Article 12.1.(G), only if such prospective transferor's Participating Interest represents more than twenty per cent (20 %) of the value of such wider transaction.

ARTICLE 13 - WITHDRAWAL FROM AGREEMENT

13.1. Right of Withdrawal

- (A) Subject to the provisions of this Article, any Party may withdraw from this Agreement and the Contract by giving notice to all other Parties stating its decision to withdraw and specifying a proposed effective date of withdrawal which shall be at least sixty (60) Days, but not more than one hundred eighty (180) Days after the date of such notice. Such notice shall be unconditional and irrevocable when given.
- (B) Notwithstanding Article 13.1.(A) a Party shall not have the right to withdraw from this Agreement and the Contract until the Minimum Work Obligation set forth in the Contract has been fulfilled. However, if the Operating Committee or any Party decides to accept new Minimum Work Obligations by voluntarily extending the current or entering into a new appraisal period under the Contract, a Party that voted against such decision shall not be prevented from withdrawing; provided that such Party delivers notice of its withdrawal to all Parties within thirty (30) Days of such vote pursuant to Article 11.2. and fully satisfies its outstanding Minimum Work Obligation, if any.
- (C) Subject to Articles 13.1.(A) and (B) and Article 13.5., the effective date of withdrawal for a withdrawing Party shall be the later of:
 - (1) The date proposed in the notice of withdrawal; or
 - (2) The date that the withdrawing Party has fulfilled its obligations under this Article.

13.2. Partial Withdrawal

- (A) Within thirty (30) Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw

from this Agreement and the Contract. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Contract and this Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Contract and this Agreement on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 13.6.

- (B) If any part of the withdrawing Party's Participating Interest remains unclaimed after sixty (60) Days from the date of the first notice of withdrawal, the Parties shall be deemed to have decided to withdraw from the Contract and this Agreement, unless at least one Party agrees to accept the unclaimed Participating Interest.
- (C) Any Party withdrawing under Article 11.2 or under this Article shall withdraw from all exploration activities under the Contract, but not from any Exploitation Area, Commercial Discovery, or Discovery whether appraised or not, made prior to such withdrawal. Such withdrawing Party shall retain its rights in the Joint Property but only insofar as they relate to any Exploitation Area, Commercial Discovery or Discovery whether appraised or not, and shall abandon all other rights in the Joint Property.

13.3. Voting

After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

13.4. Obligations and Liabilities

- (A) A withdrawing Party, prior to its withdrawal, shall satisfy all obligations and liabilities it has incurred or attributable to it prior to its withdrawal, including, without limitation, any expenditures budgeted and/or approved by the Operating Committee prior to its written notification of withdrawal (development projects included), and any liability for acts, occurrences or circumstances taking place or existing prior to its withdrawal. Furthermore, ~~any liens, charges and other encumbrances which the withdrawing Party placed on such Party's Participating Interest prior to its withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal.~~ A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party which are not identified or identifiable at the time of withdrawal.
- (B) Notwithstanding the foregoing, a Party shall not be liable for any

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operations or expenditures it voted against if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by on the Contract Area) of the Operating Committee vote approving such operation or expenditure, nor shall such Party be liable for any operations or expenditures approved by the Operating Committee, excluding those approved pursuant to Article 13.5., after notice has been given pursuant to Article 13.1.

- (C) Should a withdrawing Party use its right under Article 13.4.(B) above not to participate to certain expenditures, the remaining Parties shall promptly be offered an opportunity to revise their vote related to such expenditures.

13.5. Emergency

A Party's notification of withdrawal shall not become effective if prior to the proposed date of withdrawal a well goes out of control or a fire, blow-out, sabotage or other emergency occurs. The notification of withdrawal shall become effective only after the emergency has been contained and the withdrawing Party has paid, or has provided, security satisfactory to the other Parties for its Participating Interest share of the costs of such emergency.

13.6. Assignment

A withdrawing Party shall assign its Participating Interest to each of the non-withdrawing Parties which shall be allocated to them in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all the non-withdrawing Parties (prior to the withdrawal), unless the non-withdrawing Parties agree otherwise. The expenses associated with the withdrawal and assignments shall be borne by the withdrawing Party.

13.7. Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments, and any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party.

~~13.8. Abandonment Security~~

- (A) A withdrawing Party shall provide Security satisfactory to the other Parties to satisfy any such obligations or liabilities which were approved or accrued prior to notice of withdrawal, but which become due after its withdrawal, including, without limitation, Security to cover the costs of an abandonment, if applicable.

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operations or expenditures it voted against if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by on the Contract Area) of the Operating Committee vote approving such operation or expenditure, nor shall such Party be liable for any operations or expenditures approved by the Operating Committee, excluding those approved pursuant to Article 13.5., after notice has been given pursuant to Article 13.1.

- (C) Should a withdrawing Party use its right under Article 13.4.(B) above not to participate to certain expenditures, the remaining Parties shall promptly be offered an opportunity to revise their vote related to such expenditures.

13.5. Emergency

A Party's notification of withdrawal shall not become effective if prior to the proposed date of withdrawal a well goes out of control or a fire, blow-out, sabotage or other emergency occurs. The notification of withdrawal shall become effective only after the emergency has been contained and the withdrawing Party has paid, or has provided, security satisfactory to the other Parties for its Participating Interest share of the costs of such emergency.

13.6. Assignment

A withdrawing Party shall assign its Participating Interest to each of the non-withdrawing Parties which shall be allocated to them in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all the non-withdrawing Parties (prior to the withdrawal), unless the non-withdrawing Parties agree otherwise. The expenses associated with the withdrawal and assignments shall be borne by the withdrawing Party.

13.7. Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments, and any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party.

13.8. Abandonment Security

- (A) A withdrawing Party shall provide Security satisfactory to the other Parties to satisfy any such obligations or liabilities which were approved or accrued prior to notice of withdrawal, but which become due after its withdrawal, including, without limitation, Security to cover the costs of an abandonment, if applicable.

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- (B) "Security" means a standby letter of credit issued by a bank or an on demand bond issued by a corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances, or, failing the provision of either of those, cash contributed to a secure fund administered by independent trustees and invested in London.

13.9. Withdrawal or Abandonment by all Parties

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

ARTICLE 14 - RELATIONSHIP OF PARTIES AND TAX

14.1. Relationship of Parties

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

14.2. Tax

Each Party shall be responsible for reporting and discharging its own tax measured by the income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from a failure or refusal to report and discharge such taxes or satisfy such obligations.

14.3. United States Tax Election

- (A) If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as a partnership (and if the Parties have not agreed to form a tax partnership) each "U.S. Party" (as defined below) elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States

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Internal Revenue Code of 1986 (the "Code") as permitted and authorized by Section 761 of the Code and the regulations promulgated under the Code. If required, the U.S. Company having the largest Participating Interest to the extent required by Section 6231(a) (7) of the Code, is designated as the tax matters partner, and is authorized and directed to execute for each U.S. Party such evidence of this election as may be required by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns and statements, required by United States Treasury Regulations Section 1.761 and 1.6031-1 (d) (2). Should there be any requirement that any U.S. Party give further evidence of this election, each U.S. Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

- (B) No such U.S. Party shall give any notice or take any other action inconsistent with the election made above. If any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is permitted, each U.S. Party shall make such election as may be permitted or required by such laws. In making the foregoing election, each U.S. Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.
- (C) For the purposes of this Article, "U.S. Party" shall mean any Party which is subject to the income tax law of the United States of America in respect of operations under this Agreement.
- (D) No activity shall be conducted under this Agreement that would cause any non U.S. Party to be deemed to be engaged in a trade or business within the United States of America under applicable tax laws and regulations.
- (E) A Party which is not a U.S. Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States of America.

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ARTICLE 15 - CONFIDENTIAL INFORMATION - PROPRIETARY TECHNOLOGY

15.1. Confidential Information.

- (A) Subject to the provisions of the Contract, the Parties agree that all information and data acquired or obtained by any Party in respect of Joint Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Contract and for a period of five (5) years after expiration of the Contract to any person or entity not a Party to this Agreement, except :
- (1) To an Affiliate, provided such Affiliate maintains confidentiality as provided in this Article ;
 - (2) To a governmental agency or other entity when required by the Contract ;
 - (3) To the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party ;
 - (4) Subject to Article 15.1.(B), to potential contractors, contractors, consultants and attorneys employed by any Party where disclosure of such data or information is essential to such contractor's, consultant's or attorney's work ;
 - (5) Subject to Article 15.1.(B), to a bona fide prospective transferee of a Party's Participating Interest (including an entity with whom a Party is conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares) ;
 - (6) Subject to Article 15.1.(B), to a bank or other financial institution to the extent appropriate to a Party arranging for funding for its obligations under this Agreement ;
 - (7) To the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates ; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with Article 20.2. ;

- (8) To its respective employees for the purpose of Joint Operations, subject to each Party taking customary precautions to ensure such data and information is kept confidential ;
- (9) Where any data or information which, through no fault of a Party, becomes a part of the public domain.
- (B) Disclosure as pursuant to Article 15.1.(A) (4), (5) and (6) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

15.2. Continuing Obligations

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality and any disputes shall be resolved in accordance with Article 18.

15.3. Proprietary Technology

Nothing in this Agreement shall require a Party to divulge proprietary technology to the other Parties.

15.4. Trades

Notwithstanding the foregoing provisions of this Article, Operator may, with approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data, the cost of which has been charged to the Joint Account, so obtained to be furnished to all Parties. In such event, Operator must enter into an undertaking with any third party to such trade to keep such information confidential.

ARTICLE 16 - FORCE MAJEURE

16.1 Obligations

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure situation within a reasonable time after the occurrence of the

facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of said Force Majeure, and also estimate the period of time which said Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner, but shall not be obligated to settle any labor dispute except on terms acceptable to it and all such disputes shall be handled within the sole discretion of the affected Party.

16.2. Definition of Force Majeure

For the purpose of this Agreement, "Force Majeure" shall mean circumstances which were irresistible or beyond the reasonable control of the Party concerned.

ARTICLE 17 - NOTICES

Except as otherwise specifically provided, all notices authorized or required between the Parties by any of the provisions of this Agreement, shall be in writing, in English and delivered in person or by registered mail or by courier service or by any electronic means of transmitting written communications which provides confirmation of complete transmission, and addressed to such Parties as designated below. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received. "Received" for purposes of this Article with respect to written notice delivered pursuant to this Agreement shall be the receipt by the sender of the written acknowledgment, whether obtained electronically or otherwise. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

TOTAL MYANMAR EXPLORATION AND PRODUCTION,
YANGON BRANCH
5 Pyay Road, 6th Mile
HLAING TOWNSHIP P.O. 11051
YANGON, UNION OF MYANMAR
Telex : 0-8321454-TMEP-BM
with copy to :

TOTAL MYANMAR EXPLORATION AND PRODUCTION
Tour TOTAL
TEP/FEO
92069 PARIS LA DEFENSE FRANCE

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Attention Mr J.M. BEUQUE

Tél. : (33) 1 31 45 32 81

Fax : (33) 1 31 45 30 12

Telex : 615700 F

UNOCAL MYANMAR OFFSHORE Co. Ltd
14141 Southwest Freeway
SUGAR LAND, TEXAS 77478 USA

Tel. : (713) 287 5495

Fax : (713) 287 7340

Telex :

Attention : Marty F. MILLER

ARTICLE 18 - APPLICABLE LAW AND DISPUTE RESOLUTION

18.1. Applicable Law

This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England, excluding any conflict of law rules which would refer the matter to the laws of another jurisdiction.

18.2. Dispute Resolution

- (A) Any dispute, controversy or claim arising out of or in relation to in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration, and any Party may submit such a dispute, controversy or claim to arbitration.
- (B) The arbitration shall be held and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within thirty (30) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within twenty (20) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or one Party refuses to appoint its Party-appointed arbitrator within said twenty (20) Day period, the appointing authority for the implementation of such procedure shall be the President of the Court of Arbitration of the International Chamber of Commerce, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.

- (C) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings ;
- (1) The arbitration proceedings shall be held in Brussels, Belgium.
 - (2) The arbitration proceedings shall be conducted in the English language and the arbitrators shall be fluent in the English language.
 - (3) The arbitrators shall be and remain at all times wholly independent and impartial.
 - (4) The arbitration proceedings shall be conducted in accordance with the Rules of Arbitration of the International Chamber of Commerce as amended from time to time.
 - (5) Any procedural issues not determined under the arbitral rules selected pursuant to Article 18.2.(C) (4) shall be determined by the law of the place of arbitration, other than those laws which would refer the matter to another jurisdiction.
 - (6) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrators.
 - (7) The decision of a majority of the arbitrators shall be reduced to writing ; final and binding without the right of appeal ; the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrators ; made and promptly paid in U.S. Dollars free of any deduction or offset ; and any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law, be charged against the Party resisting such enforcement.
 - (8) Consequential, punitive or other similar damages shall not be allowed ; provided, however, the award may include appropriate punitive damages where a Party has engaged in delaying and dilatory actions ;
 - (9) ~~The award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate ; and~~
 - (10) Judgment upon the award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case

may be.

- (11) Whenever the Parties are of more than one nationality, the presiding arbitrator shall not be of the same nationality as any of the Parties or their ultimate parent entities.

ARTICLE 19 - ALLOCATION OF COST RECOVERY RIGHTS

9.1. Allocation of Total Production

For the purposes of recovery of Petroleum Costs, the total quantity of Hydrocarbons which are produced and saved from all Exploitation Areas in a Calendar Quarter and to which the Parties are entitled under the Contract shall be designated as either Cost Oil or Profit Oil. Such Cost Oil and Profit Oil shall be allocated among the Exploitation Areas in proportion to each Exploitation Area's total quantity of Hydrocarbons produced and saved in such Calendar Quarter with adjustments in quantities to reflect the differences in value if different qualities of Hydrocarbons are produced, segregated and sold separately.

9.2. Allocation of Cost Oil Directly Allocated

Cost Oil allocated to each Exploitation Area shall be allocated to the Parties in proportion to their respective Participating Interests in each such Exploitation Area to the extent required to recover in the sequence incurred all Petroleum Costs which are specifically attributable to each such Exploitation Area and which are recoverable in such Calendar Quarter. Such portion of Cost Oil so allocated shall be referred to as "Cost Oil Directly Allocated"; the portion of Cost Oil remaining to be allocated being referred to as the "Excess Cost Oil".

9.3. Allocation of Excess Cost Oil

The Excess Cost Oil shall be allocated among the various Exploitation Areas, for each Calendar Quarter and up to the level allowed under the Contract (with due regard to the value of the production determined in accordance with Article 9.2.H.) as follows :

- (A) First, a percentage (equal to the percentage of Profit Oil, if any, to which the Parties would have been entitled during such Calendar Quarter if the ~~Contract applied separately to each such Exploitation Area~~ of the Excess Cost Oil shall be allocated among the Parties in proportion to their respective Participating Interest in each such Exploitation Area ;

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- (B) Second, the Excess Cost Oil that is not allocated pursuant to Article 19.3.(A) shall be allocated among the Parties in proportion to their respective Participating Interests as set out in Article 3.1.(A) in order to recover in the sequence incurred any Petroleum Costs which were incurred in the conduct of Joint Operations and which are recoverable in such Calendar Quarter ; and
- (C) Third, the Excess Cost Oil that is not allocated pursuant to Article 19.3.(A) or Article 19.3.(B) shall be allocated among the Parties in proportion to their respective Participating Interests in each Exclusive Operation in order to recover in the sequence incurred any Petroleum Costs which were incurred by such Parties in the conduct of Exclusive Operations and which are recoverable in such Calendar Quarter.

19.4. Allocation of Profit Oil

Profit Oil allocated to each Exploitation Area pursuant to Article 19.1., if any, shall be allocated among the Parties in proportion to their respective Participating Interests in each such Exploitation Area.

ARTICLE 20 - GENERAL PROVISIONS

20.1. Conflicts of Interest

- (A) Each Party undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organizations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Agreement.
- (B) The provisions of the preceding paragraph shall not apply to :
 - (1) A Party's performance which is in accordance with the local preference laws or policies of the host government ; or
 - (2) A Party's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with rules and procedures established by the Operating Committee.

20.2. Public Announcements

- (A) Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations : provided that, no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the

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approval of a least two (2) non-affiliated Parties holding fifty per cent (50 %), or more, of the Participating Interests has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Operator is authorized to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

- (B) If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall not do so unless prior to its release, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of at least two (2) non-affiliated Parties holding fifty per cent (50 %) or more of the Participating Interests ; provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party as set forth in Articles 15.1.(A) (3) and (7).

20.3. Successors and Assigns

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

20.4. Waiver

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

20.5. Severance of Invalid Provisions

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

20.6. Modifications

Except as is provided in Article 20.5., there shall be no modification of this Agreement except by written consent of all Parties.

20.7. Headings

The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be bound in any particular Article.

20.8. Singular and Plural

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

20.9. Gender

Reference to any gender includes a reference to all other genders.

20.10. Counterpart Execution

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

20.11. Entirety

This Agreement is the entire agreement of the Parties and supersedes all prior understanding and negotiations of the Parties.

However this Agreement is not intended to supersede any particular obligations (such as carrying obligations) that any Party may have undertaken towards any other Party under separate agreements such as farm-in agreements.

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

C. J. H.

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TOTAL MYANMAR EXPLORATION AND PRODUCTION

By: [Signature]

Title: General Manager by designation of the chairman of the board

Date: June 1st 1974

UNOCAL MYANMAR OFFSHORE Co. Ltd

By: [Signature]

Philip Green

Title: Vice President

Date: June 1st 1974

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EXHIBIT A
ACCOUNTING PROCEDURE

EXHIBIT A

ACCOUNTING PROCEDURE
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AND SERVICES AS OF 01/01/1993

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EXHIBIT A

ACCOUNTING PROCEDURE

Attached to and made part of the Production Operating Agreement (POA) hereinafter called the "Agreement", effective as of the day of, 1988, by and between TOTAL MYANMAR EXPLORATION AND PRODUCTION (hereinafter referred to as "TOTAL"), and UNOCAL MYANMAR OFFSHORE Co. Ltd. (hereinafter referred to as "UNOCAL").

SECTION I

GENERAL PROVISIONS

1.1. Purpose

- 1.1.1. The purpose of this Accounting Procedure is to establish equitable methods for determining charges and credits applicable to operations under the Agreement which reflect ~~the cost of Joint Operations to the end that no Party shall~~ gain or lose in relation to other Parties.
- 1.1.2. The Parties agree that if any of such methods prove unfair or inequitable to OPERATOR or Non-Operators, the Parties shall meet and in good faith endeavour to agree on changes in methods deemed necessary to correct any unfairness or inequity.

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1.2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the Agreement to which this Accounting Procedure is attached, the provisions of the Agreement shall prevail.

1.3. Definitions

The definitions contained in Article 1 of the Agreement to which this Accounting Procedure is attached, shall apply to this Accounting Procedure and have the same meanings when used herein. In addition certain terms used herein are defined as follows :

"Country of Operations" shall mean : the Union of Myanmar

"Material" shall mean any equipment, machinery, materials, articles, supplies and consumables either purchased or leased, or rented, or transferred by OPERATOR and used in the Petroleum Joint Operations.

"Controllable Material" shall mean Material which the OPERATOR subjects to record control and inventory in accordance with good international petroleum industry practice.

1.4. Joint Account Records and Currency Exchange

1.4.1. OPERATOR shall at all times maintain and keep true and correct records of the production and disposition of Hydrocarbons, and of all revenues, costs and expenditures under the Agreement, as well as other data necessary or proper for the settlement of accounts between the Parties hereto in connection with their rights and obligations under the Agreement and to enable Parties to comply with their respective applicable income tax and other laws.

1.4.2. OPERATOR shall maintain accounting records pertaining to Joint Operations in accordance with generally accepted accounting practices used in the international petroleum industry and any applicable statutory obligations of the Country of Operations as well as the provisions of the CONTRACT and the Agreement.

- 1.4.3. Joint Accounts shall be maintained by OPERATOR in the English language and in U.S. Dollars.
Any costs incurred or proceeds received in a currency other than U.S. Dollars, including the currency of the Union of Myanmar shall be converted into U.S. Dollars computed at the prevailing rate of exchange of the day on which the costs or expenditures were paid or the proceeds were received.
- 1.4.4. Any currency exchange gain or loss shall be credited or charged to the Joint Account.
- 1.4.5. This Accounting Procedure shall apply, mutatis mutandis, to Exclusive Operations in the same manner that it applies to Joint Operations, provided however, that the charges and credits applicable to the Consenting Parties shall be distinguished by an Exclusive Operation Account. For the purpose of determining and calculating the remuneration of the Consenting Parties, including the premiums for Exclusive Operations, the revenues, costs and expenditures shall be expressed in U.S. Dollars (irrespective of the currency in which the expenditure was incurred).
- 1.4.6. The accrual basis for accounting shall be used in preparing accounts concerning the Joint Operations.

1.5. Statements and Billings

- 1.5.1. OPERATOR shall submit monthly to each Non-Operator within thirty (30) days after the end of each month (within forty five (45) days for the month of March), statements of the revenues, costs and expenditures incurred during the prior month, indicating by appropriate classification (i.e. exploration, appraisal, development, production and G & A) the nature thereof, the corresponding budget category, a comparison of actual cost incurred to each AFE outstanding and the portion of such costs charged to each of the Parties.

OPERATOR shall submit a complete yearly statement not later than the end of February of the following year.

Monthly and Yearly statements shall contain the following information :

- advances of funds setting forth the currencies received from each Non-Operator.
 - the share of each Non-Operator in total expenditures
 - the current account balance of each Non-Operator
 - summary of costs, credits, and expenditures on a current month, year-to-date, and inception-to-date basis.
- 1.5.2. OPERATOR shall, upon request, furnish a description of the accounting classifications used by it.
- 1.5.3. Amounts included in the statements and billings shall be expressed in U.S. currency.
- 1.5.4. Each Party shall be responsible for preparing its own accounting and tax reports to meet the requirements of the Country of Operations and of all other countries to which it may be subject. OPERATOR, to the extent that the information is reasonably available from the Joint Account records, shall provide Non-Operators in a timely manner with the necessary statements to facilitate the discharge of such responsibility.
- 1.5.5. OPERATOR shall send to each Non-Operator a copy of all statements to be provided to the MOGE in accordance with the Annexure C of the CONTRACT, as per Article 3.

1.6. Payments and advances

If OPERATOR so requests, Non-Operators shall advance their share of estimated cash requirements for the operating month concerned. Not later than the 5th of the operating month concerned, the OPERATOR shall make a written request to Non-Operators and will also give a tentative estimate for the next two months cash requirements.

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The due date for such cash calls shall be set by OPERATOR, but shall be at least twenty (20) days after receipt of such cash calls. The request shall set out the funds in U S Dollars.

Cash calls submitted by OPERATOR shall be so detailed or contain such explanations as to permit reference of each item therein to the appropriate item in the approved budget and to the relevant AFE, if applicable.

Should OPERATOR be required to pay any large sums of money for the Joint Operations, which were unforeseen at the time of providing Non-Operators with their monthly estimated cash requirements, the OPERATOR may make a written request to Non-Operators for special advances covering the Non-Operators' share of such payments. Non-Operators shall make their proportional special advance within fifteen (15) days of receipt of such notice.

If a Non-Operator's advance exceeds its share of cash expenditures the next succeeding cash call, after such determination, shall be adjusted accordingly. If after such adjustment, a Non-Operator's share proves to be less than its cash advance, Operator shall refund such excess funds within fifteen (15) days upon Non-Operator's request and at Non-Operator's cost provided that the amount is in excess of one hundred thousand US Dollars (US \$100 000). If OPERATOR does not request cash advances from a Non-Operator or if a Non-Operator's advance is less than its share of cash expenditures, the deficiency shall at OPERATOR's option be added to subsequent cash advance requirements or be paid by Non-Operator within fifteen (15) days following the receipt of the OPERATOR's statement to Non-Operator for such deficiency.

All payments by Non-Operators shall be made at a place designated by OPERATOR and OPERATOR shall provide the names and addresses of such banking institutions where funds are to be credited to the OPERATOR's account as well as the OPERATOR's account number.

All payments by the Parties shall be made to an interest-bearing account established for Joint Operations on or before the due date, and if not so paid, the provisions of Article 8.1. of the Agreement ("Defaults and Notice") shall apply.

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1.7. Adjustments

Payments of any advances or billings shall not prejudice the right of any Non-Operator to protest or question the correctness thereof ; provided, however, all bills and statements rendered to Non-Operators by OPERATOR during any Calendar Year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of such Calendar Year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on OPERATOR for adjustment. Failure on the part of a Non-Operator to make claim on OPERATOR for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making claims for adjustment thereon. No adjustment favorable to OPERATOR shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the specific stock as provided for in Article 3.7. OPERATOR shall be allowed to make adjustments to the Joint Account after such twenty-four (24) month period if these adjustments result from audit exceptions outside of this Agreement, third party claims, or Government or the MOGE requirements. Any such adjustments shall be subject to audit within the time period specified in Section 1.8.1.

1.8. Audits

1.8.1. Upon sixty (60) days written notice to OPERATOR, Non-Operator(s) shall, at its (their) sole cost, have the right, within the twenty four (24) month period following the end of any Year to audit the Joint and Exclusive Operations Accounts and records relating to the operations made under this Agreement for such Year .

Any such audit shall be conducted within forty-five (45) days.

Where there are two (2) or more Non-Operators, Non-Operators shall make every reasonable efforts to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to Operator.

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The right of audit includes the right of access at all reasonable times during normal business hours to all accounts, books and records pertaining to the Joint Account maintained by OPERATOR. If any Non-Operator desires verification of charges representing a proportionate share in the cost of the OPERATOR's other activities, it may do so to the extent the OPERATOR is able to present such information without infringing the confidential or proprietary nature of such information. In case such infringement might occur, any Non-Operator may request, at its own expense, to obtain an audit certificate from an independant external auditor of international standing acceptable to the OPERATOR. OPERATOR shall make every reasonable effort to cooperate with Non-Operators and, where appropriate, the independant auditors as the case may be and will provide reasonable facilities and assistance.

1.8.2. At the conclusion at the Operator's premises of each audit, the Parties shall endeavour to settle outstanding matters and a written report will be circulated to all the Parties within three (3) months of the conclusion at the Operator's premises of each audit. The report shall include all claims arising from such audit together with comments related to the operation of the accounts and records. OPERATOR shall reply in writing to the report as soon as possible and in any event not later than three (3) months following the receipt of the report.

1.8.3. All adjustments resulting from an audit agreed between OPERATOR and Non-Operators shall be made promptly in the Joint or Exclusive Account by OPERATOR and reported to Non-Operators.

Any unresolved dispute arising in connection with an audit shall be submitted to arbitration in accordance with Article 18 of the Agreement.

1.8.4. Any information obtained by a Non-Operator under the provisions of this Section 1.8. whether it relates directly or indirectly to the Joint or Exclusive Operations, shall be kept confidential.

SECTION II

CHARGEABLE COSTS AND EXPENDITURES

OPERATOR shall charge the Joint Account for all reasonable costs necessary to conduct Joint Operations and, subject to the provisions of Article 7 of the Agreement, shall charge Exclusive Operations Accounts for all costs necessarily incurred in the conduct of an Exclusive Operation. Such costs shall include, but are not limited to :

2.1. Licences, Permits, etc

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

2.2. Labour and related costs

2.2.1. OPERATOR's locally recruited employees

The actual cost of all the OPERATOR's locally recruited employees who are directly engaged in the conduct of Joint Operations. Such costs shall include all employee salaries, benefits and government benefits for employees and taxes and other charges levied on the OPERATOR as an employer, transportation and relocation costs of the employee and such employee's family limited to spouse and dependent children.

If such employees are engaged in other activities in addition to the Joint Operations, the cost of such employees shall be allocated on an equitable prorata basis according to sound and acceptable accounting principles.

2.2.2. Assigned personnel

The cost of the personnel of the OPERATOR's Affiliates working in Country of Operations or in third countries other than France (hereinafter referred to as "Countries of Assignment") for the Joint Operations. The cost of these personnel shall be as per rates representing the OPERATOR's Affiliates actual cost excluding overhead allocations, according to OPERATOR's Affiliates's usual practice.

Such rates shall not include furnished accommodation in the Country of Operations, medical and dental treatment of the employee and immediate family, local schooling expenses and any other local employment costs paid by the OPERATOR, according to OPERATOR's usual practice. Such costs shall be charged separately to the Joint Account.

As early as possible, in each Calendar Year, OPERATOR shall provide Non-Operators with the provisional rates referred to above applicable for such Year as per Appendix 1.

As soon as possible after the end of each Calendar Year, the actual costs incurred by the OPERATOR's Affiliates during the concerned year as the basis for such rates shall be audited by an internationally recognized independent firm of auditors.

Any difference between the costs charged by the OPERATOR's Affiliates during the year on the basis of provisional rates and the final certified costs shall be adjusted accordingly and corresponding audit costs shall be charged to the Joint Account.

If such employees are engaged in other activities in Countries of Assignment in addition to the Joint Operations, the costs of such employees shall be allocated on an equitable prorata basis according to sound and acceptable accounting principles.

2.2.3. Personnel of OPERATOR's Affiliates based outside Countries of Assignment working for Joint Operations on a time sheet basis

The costs of such personnel shall be charged at rates which represent the OPERATOR's Affiliates actual cost excluding overhead allocation. These rates include all costs incidental to the employment of such personnel, but do not include transportation and living expenses they may incur for the performance of such work. In case the work is performed outside the country where such personnel is based, the rate will be charged from the date such personnel leave the town where they usually work until their return thereto, including days which are not working days in the country where the work is performed, and excluding any holiday entitlement derived by the employee from his employment in OPERATOR's home country. No charge will be made for overtime.

As early as possible, in each Calendar Year, OPERATOR shall provide Non-operators with the provisional rates referred above for such Year as per Appendix 1.

As soon as possible after the end of each Calendar Year, the actual costs incurred by the OPERATOR's Affiliates during the concerned year as the basis for such rates shall be audited by an internationally recognized independent firm of auditors.

Any difference between the costs charged by the OPERATOR's Affiliates during the year on the basis of provisional rates and the final certified costs shall be adjusted accordingly and corresponding audit costs shall be charged to the Joint Account.

2.2.4. Provisions common to Sections 2.2.2. and 2.2.3.

Sections 2.2.2. and 2.2.3. above have been agreed upon considering the present structure of the OPERATOR and its Affiliates. Should the OPERATOR be changed, or should the OPERATOR's Affiliates change their present structure or organization, these sections shall be revised accordingly.

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2.2.5. Employees training expenses

Training expenses for the employees resident in the Country of Operations and the contribution to training under Section 15 of the Contract.

2.3. Material

Cost, net of discounts taken by OPERATOR, of Material purchased or furnished by OPERATOR for use in the Joint Operations as provided under Section III. Such costs shall include but are not limited to vendor's invoice price, transportation charges, loading, unloading fees, export and import duties associated with the procurement of material. So far as it is practicable and consistent with safe, efficient and economical operations, such material shall be purchased or furnished by OPERATOR when required for use in the Joint Operations and the accumulation of surplus stock shall be avoided.

2.3.1. Purchasing charges

When required for the benefit of the Joint Operations, OPERATOR may request its Affiliates to provide purchasing and forwarding services. Charges to the Joint Account for the provision of these purchasing and forwarding services shall be based on the Affiliate's standard purchasing charges in accordance with a price-list provided each Calendar Year as per Appendix 1.4.

2.4. Transportation and employee Relocation Costs

2.4.1. Transportation of Material and other related costs, ~~including but not limited to origin services, expediting,~~ crating, dock charges, forwarder's charges, surface and air freight, and customs clearance and other destination services.

2.4.2. Transportation of employees as required in the conduct of Joint Operations, including employees of OPERATOR whose salaries and wages are chargeable under sections 2.2.2. and 2.2.3. of this Accounting Procedure.

- 2.4.3. Relocation costs to or from the Countries of Assignment of employees permanently or temporarily assigned to Petroleum Operations, except when employee is reassigned to or from another location classified as a foreign location by OPERATOR, in which event the actual relocation costs chargeable to the Joint Account shall not exceed the costs which would have been incurred had the employee been reassigned to or from France.

Such costs shall include transportation of employee's families and their personal and household effects and all other relocation costs in accordance with the OPERATOR's Affiliates usual practice.

2.5. Services

No services shall be rendered unless it has been requested by OPERATOR. The services may include but are not limited to :

- 2.5.1. Outside services : the cost of consultants, contract services and utilities procured from third parties.

2.5.2. OPERATOR's Affiliates

The cost of services provided by OPERATOR's Affiliates technical and professional personnel not located within the Countries of Assignment including, but not limited to, laboratory services, geochemical analysis, geological and geophysical studies and interpretation, engineering, reservoir studies and related computer services and...data processing, accounting and professional services.

Costs shall include personnel costs charged at rates as per 2.2.3. Costs shall also include all other costs, if any, necessary for such technical and professional personnel to perform such services such as, but not limited to, laboratory analysis, documentation, computer support and supplies, which costs shall be according to the OPERATOR's Affiliates standard price-lists provided each Calendar Year as per Appendix 1.

2.6. Damage and Loss to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property resulting from damage or loss incurred by fire, flood, storm, theft, accident, or any other causes. OPERATOR shall as soon as practical furnish to Non-Operators written notice of each incident causing damage or loss in excess of US \$ 100 000 (one hundred).

2.7. Insurance

- 2.7.1. Premiums for insurances placed for the account of the Parties except that a Party not participating in such insurance shall not share in the costs.
- 2.7.2. The actual expenditure incurred by OPERATOR in settlement of any and all losses, claims, damages, judgments and any other expenses, including legal services, for the benefit of the Petroleum Operations.
- 2.7.3. All losses, damages, expenses and other liabilities and financial consequences arising from Joint Operations and materials acquired under this Agreement and not recoverable from joint insurances obtained and maintained pursuant to Article 4.7 of the Agreement shall be borne by the Parties in proportion to their Participating Interests.

All proceeds or recoveries from joint insurance obtained and maintained pursuant to Article 4.7 of the Agreement shall be credited to the Parties participating in such insurance in proportion to their Participating Interests.

2.8. Legal Expenses

All costs or expenses not already provided for under sub-section 2.5.2. and 2.7.2. hereof, for handling, investigating, defending and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property including, but not limited to attorney fees, court costs, cost of investigation or procuring evidence, and amounts paid in settlement or satisfaction of any such litigation or claims.

2.9. Duties and Taxes

All duties and taxes except OPERATOR's income taxes.

2.10. Offices, Camps and other Facilities

Cost of staffing, establishing, maintaining and operating any offices, sub-offices, camps, warehouses, housing and other facilities established for the main purpose of supervising, controlling or serving the Joint Operation shall be charged to the Joint Account. If such facilities are used to supervise and control other Joint Operations or serve operations in addition to the Joint Operations the costs shall be allocated according to sound and acceptable accounting principles approved by the Operating Committee.

2.11. Overheads

2.11.1. The contribution of the OPERATOR's Affiliates to the Joint Operations of an intangible nature shall be deemed compensated by an annual overhead charge based on a sliding scale percentage.

2.11.2. The basis for applying this overhead charge shall be the total costs and expenditures incurred in, or in connection with, the conduct of the Joint Operations during each Financial Year, being a period of 12 months commencing with 1st April and ending with 31st March next following, or fraction thereof, but excluding overhead as allowed under this section 2.11., bonuses paid in accordance with section 11 of the Contract, and corporate income taxes under Section 9 of the Contract.

The sliding scale percentage shall be the following :

For the first 5 Million U.S. Dollars per Financial Year	four	(4)	percent
For the next 3 Million U.S. Dollars per Financial Year	two	(2)	percent
For the next 4 Million U.S. Dollars per Financial Year	one	(1)	percent
Over 12 Million U.S. Dollars per Financial Year	half	(0,5)	percent

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If during a given Financial Year, the amount calculated for such services on the basis of these percentages is less than One Hundred Thousand U.S. Dollars (U.S. \$ 100,000) such amount shall be increased up to said amount of Dollars.

Difference between overheads to be paid under this paragraph and under the Contract will be charged to the Joint Account.

2.12. Other Expenditures

2.12.1. Any other expenditure not covered or dealt with in the foregoing provisions which are incurred by the OPERATOR and its Affiliates for the necessary and proper conduct of the Joint Operations.

2.12.2. The Parties agree that they will share any expenditure not accepted by the MOGE as Operating Costs under the Contract provided such expenditures are properly chargeable to the Joint Account. In principle, parties will seek to minimize such expenditures.

SECTION III - MATERIAL

3.1. Purchases from third Parties

Material purchased shall be charged at the net cost to the OPERATOR ; such net cost shall include the price paid by the OPERATOR to the Vendor after deduction of all discounts actually received. Net cost shall include but shall not be limited to such items as transportation, insurance, duties, licence fees plus a charge to cover purchasing and forwarding costs.

3.2. Specific Stock of Material for the Joint Operations

After receiving the approval of the Operating Committee, the OPERATOR shall maintain in Country of Operations a specific stock of material for the Joint Operations (hereinafter the "Joint Stock"). Such Joint Stock shall be financed and owned by all the Parties pursuant to their respective percentage interests.

The cost of acquisition of such Joint Stock shall be included in the cash calls sent to the Parties as per Section 1.6 above.

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3.3. Material furnished by the OPERATOR

Material required for operations or for maintaining the Joint Stock shall be purchased directly whenever practicable, except that OPERATOR may furnish such material from its own stocks inside and/or outside Country of Operations, in which case such material shall be charged as follows :

A) Material and equipment :

The OPERATOR may charge the cost of such material furnished for use in the Joint Operations on the following conditions and in accordance with the provisions of the Agreement :

(1) New material (Condition "A") which has never been used, shall be priced at the delivered net price which shall not exceed the price prevailing in normal arm's length transaction on the open market.

(2) Used material (Condition "B")

(a) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classified as Condition "B" and priced at not more than seventy five percent (75 %) of new material as specified in (1) above

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

(i) after reconditioning will be further serviceable for its original function as good second-hand material Condition "B", or

(ii) is serviceable for its original function but is substantially unsuitable for reconditioning,

shall be classified as Condition "C" and priced at no more than fifty percent (50 %) of the price of new material as specified in (i) above. Any cost of reconditioning shall be charged to the unconditioned material provided that the Condition "C" material value plus the cost of reconditioning does not exceed the value of Condition "B" material of the same type.

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B) Consumables :

Consumables shall be priced at the weighted average price for the warehouse stock of the consumable in question.

3.4. Warranty

In the event of faulty material, any reimbursement from the supplier shall be credited to the Parties.

OPERATOR does not warrant the material furnished.

In case of defective material, credit shall not be passed to the Joint Account until adjustment has been received by OPERATOR from manufacturers or their agents.

3.5. Disposals

- OPERATOR shall be under no obligation to purchase the share of Non-Operators in new or used surplus material except under mutually agreed terms.
- OPERATOR shall have the right to dispose of surplus material on behalf of the Parties but shall not sell major items (being item exceeding US \$ 100 000 in value) of physical assets owned by the Parties without obtaining the prior approval of the Operating Committee.
- If there is no market for junk or obsolete material which has been charged to the Joint Account, the cost, if any, of disposing of such material shall be charged to the Joint Account.
- Proceeds from all sales shall be credited to the Joint Account at the net amount actually collected.

3.6. ~~Material distributed in kind or purchased by one of the PARTIES~~

- New material shall be valued at the prevailing market price for similar material.
 - Used material shall be priced at seventy five (75) percent of the prevailing market price for similar new material.
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- Other used material shall be priced at a value commensurate with its use, as approved by the Operating Committee.
- Proceeds from all sales shall be credited to the Joint Account at the net amount actually collected.

3.7. Inventories

OPERATOR shall maintain separately detailed records of Specific Stock and of materials for Exclusive Operations.

a) Periodical inventories

At reasonable intervals, but at least once a year, inventories of all Controllable Material shall be taken by OPERATOR. OPERATOR shall give at least sixty (60) days advance written notice of intention to take such inventories to allow Non-Operators to be represented when any inventory is taken. Failure of Non-Operators to be represented shall bind Non-Operators to accept the inventory taken by OPERATOR. Any Non-Operator's participation in the inventory shall be at Non-Operator's sole expense.

Reconciliation of inventory with the Joint Account shall be made and a list of overages and shortages shall be furnished to Non-Operators within sixty (60) days of the completion of the inventory. Any inventory adjustment shall be made to the Joint Account accordingly.

b) Special inventories

Whenever there is a sale or the assignment of any Participating Interest to a third party, a special inventory may be taken by the OPERATOR, provided the seller and/or purchaser of such Participating Interest agrees to bear all the expense thereof. In such cases, both the seller and the purchaser shall be entitled to be represented and shall be bound by the inventory so taken.

Within thirty (30) days of change of Operator, a Joint Account inventory should be taken.

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SECTION 4

CONTRACT ACCOUNTING RECORDS

Unless otherwise agreed, OPERATOR shall be responsible for establishing and maintaining all control accounts for presentation to the MOGE in accordance with the Accounting Procedure attached to the CONTRACT, except those which must be presented by each Party.

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Appendix 1

Standard rates for personnel and services

as of 1/1/1993

1. Assigned personnel based in Yangon

C1	-	124 500	FF/month
C2	-	106 200	FF/month
C3	-	88 800	FF/month
C4	-	56 400	FF/month

2. Assigned personnel on a rotation basis in Myanmar (Yangon + Moattama)

C1	-	6 248	FF/working day
C2	-	5 272	FF/working day
C3	-	4 192	FF/working day
C4	-	3 384	FF/working day

3. Personnel of Operator's Affiliates based outside Myanmar working for Joint Operations on a time sheet basis

FF/hour	M MANAGER EXPERT	S SENIOR	P PROFESSIONAL	C CLERK
DIR/DDP/DE Geographical Division	1100 795	805 565	585 405	375 310
Additional charges for mission YANGON	297	194	125	94
Additional charges for mission MOATTAMA	388	303	243	216

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4. Services

TYPE OF SERVICE	WORKING UNIT	UNIT PRICE (FF)
Purchasing charges	U1 Lump sum per purchase order (purchasing + forwarding)	2 000
	U2 Lump sum per forwarding only	1 000
	U3 Percentage on purchase order value (purchasing + forwarding)	4 %
	U4 Percentage on forwarding expenses (forwarding)	6 %
Process calculation	U1 CPU process	1
Réservoir simulation	Lump sum	
Photo Laboratory	U1 Laboratory hour	1 300
Singapore office	U1 1/2 day senior	7 100
	U2 1/2 day manager	9300
DE/Intergraph	U1 Monthly subscription	4 500
	U2 Batch CPU second	1.10
	U3 Graph resident per hour	430
	U4 Numbering hour	300
	U5 Lump sum per 1/2 day	1 000
DE/Integral	U1 Integral CPU	1
	U2 Micro GGG 1/2 day	1 000
DE/Documentation	U1 Quaterly subscription	46 000
	U2 Documentary information per minute	11
	U3 Geological data record, per minute	9
	U4 Transcription well tapes on NOD/per tape	600
	U5 Extracation of data files off NOD/per file	300
Convex 210 supply	U1 Computer resource unit	1.15
HP 9000 supply	U1 Working unit plotting	1.15
	U2 Large format colour	290
	U3 Other format, colours	230
	U4 Black and White	200
	U5 Black and White, large format	220
HP 3000 supply	U1 Working unit HP 3000	1.15
	U2 Working unit HP 3935	1.15
	U3 Working unit HP 3DE1	1.15
	U4 Working unit HP 3DVLP	1.15
Convex 220 supply	U1 Computer resource unit	1.15
DE/MASS spectrometer	U1 Analysis	1 800

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DOE v. UNOCAL
SUBJECT TO PROTECTIVE ORDER

EXHIBIT B
CONTRACT

437

UYP3 003259

AMENDMENT N°1
TO PRODUCTION OPERATING AGREEMENT
BETWEEN
TOTAL MYANMAR EXPLORATION AND
PRODUCTION
AND
UNOCAL MYANMAR OFFSHORE Co. Ltd
AND
PTTEP INTERNATIONAL LIMITED

[Handwritten signature]

This AMENDMENT, executed as on ~~26/04/1995~~, by and between TOTAL MYANMAR EXPLORATION AND PRODUCTION, a company incorporated in France (hereinafter referred to as "TOTAL"), UNOCAL MYANMAR OFFSHORE CO. LTD, a company incorporated in Bermuda (hereinafter referred to as "UNOCAL") and PTTEP INTERNATIONAL LIMITED, a company incorporated in THAILAND (hereinafter referred to as "PTTEPI").

TOTAL, UNOCAL and PTTEPI being hereinafter referred to individually as "Party" and collectively as the the "Parties".

WITNESSETH

WHEREAS TOTAL and UNOCAL have signed on June 1st 1994 a Production Operating Agreement ("the POA") in order to define their respective rights and obligations with respect to their operations in the Union of Myanmar under certain Contract (as defined in the POA) with MYANMAR OIL AND GAS ENTERPRISE (hereinafter "MOGE");

WHEREAS TOTAL and UNOCAL have assigned to PTTEPI by virtue of an Assignment Agreement and effective upon the Effective Date of such Assignment Agreement an undivided participating interest of thirty percent (30 %) in the interests, rights, privileges, duties and obligations of Contractor under the Contract ;

NOW THEREFORE in consideration of the mutual premises and covenants contained herein the Parties agree to amend the aforesaid POA as follows :

ARTICLE 1

As result of the aforementioned transfer and assignment. Article 3.1 (A) of the POA shall read as follows :

"The Participating Interest of the Parties are :

TOTAL	thirty six and seven five tenth percent	(36.7500 %)
UNOCAL	thirty three and two five tenth percent	(33.2500 %)
PTTEPI	thirty percent	(30.0000 %)".

ARTICLE 2

~~PTTEPI hereby accepts and agrees to be bound by all terms and conditions of the~~
Contract and of the POA.

UYP3 003261

ARTICLE 3

Article 17 of the POA, "Notices" is completed as follows :

"PTTEP INTERNATIONAL LIMITED

555 Vibhavadi Rangsit Road
BANGKOK 10900 THAILAND

Fax : (02) 537-3749, 537-3643

Telex : 20610 PTTEP TH

Attention : Viset CHOOPIBAN

ARTICLE 4

This Amendment n°1 shall become effective and binding upon the Parties as of the Effective Date of the Assignment Agreement hereinabove referred to, it being understood that the financial provisions of the POA related to recovering costs and expenses (Cost Petroleum) shall apply from July 9th 1992.
The provisions of the POA which are not expressly amended by this Amendment n°1 shall remain in full force and effect.

IN WITNESS WHEREOF, this Agreement has been duly signed in three originals by the PARTIES hereto on the date first above written.

TOTAL MYANMAR EXPLORATION
AND PRODUCTION

BY : J.M. BEUQUE

TITLE : Chief Executive Officer

UNOCAL MYANMAR
OFFSHORE Co. Ltd.

BY :

TITLE : President

PTTEP INTERNATIONAL LIMITED

BY : Viset CHOOPIBAN

TITLE : Chairman and President

UYP3 003262

TOTAL

CONFIDENTIAL
DOE v. UNOCAL
SUBJECT TO PROTECTIVE ORDER

TOTAL MYANMAR EXPLORATION AND PRODUCTION

JFA/hms/94.186

Paris, *January 29th, 1995*

SIDE LETTER ON PTTEPI'S SECONDMENT

E This Side Letter is an additional agreement to the Assignment Agreement and Amendment N°1 to the Production Operating Agreement both dated *January 29th, 1995* between TOTAL MYANMAR EXPLORATION AND PRODUCTION (TOTAL), UNOCAL MYANMAR OFFSHORE CO., LTD. (UNOCAL) and PTTEP INTERNATIONAL LIMITED (PTTEPI).

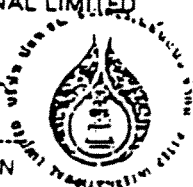
E On *January 29th, 1995* TOTAL and UNOCAL have assigned to PTTEPI an undivided participating interest of thirty percent (30 %) in the interests, rights, privileges, duties and obligations of Contractor under the Memorandum of Understanding (MOU), Production Sharing Contract (PSC) both dated July 9, 1992 and the Production Operating Agreement (POA) dated June 1, 1994 by virtue of the Assignment Agreement.

E By this Side Letter, TOTAL agrees to accept a limited number of qualified secondees from PTTEPI to work in the Moattama Gas Project. The parties shall establish the detailed secondment programme within three months after the *signature* date of the Assignment Agreement. The agreed costs of secondment shall be charged to the Joint Account.

This Side Letter shall inure to the benefit of and be binding upon the Parties hereto.

Agreed and accepted
For and on behalf of
PTTEP INTERNATIONAL LIMITED

U. Choibin
Mr. Viset CHOOPIBAN



For and on behalf of
TOTAL MYANMAR EXPLORATION AND
PRODUCTION

J. M. Beuque
Mr. JM. BEUQUE



UYP3 003263

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AMENDMENT N°2
TO PRODUCTION OPERATING AGREEMENT
BETWEEN
TOTAL MYANMAR EXPLORATION AND
PRODUCTION
AND
UNOCAL MYANMAR OFFSHORE Co. Ltd
AND
PTTEP INTERNATIONAL LIMITED
AND
THE MYANMA OIL AND GAS ENTERPRISE

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(The 31st day of October)

This AMENDMENT, executed as on ~~June 1st~~ 1995, by and between TOTAL MYANMAR EXPLORATION AND PRODUCTION, a company incorporated in France (hereinafter referred to as "TOTAL"), UNOCAL MYANMAR OFFSHORE CO. LTD. a company incorporated in Bermuda (hereinafter referred to as "UNOCAL") PTTEP INTERNATIONAL LIMITED, a company incorporated in THAILAND (hereinafter referred to as "PTTEPI"), and THE MYANMA OIL AND GAS ENTERPRISE, an enterprise organized and existing under the laws of the Union of Myanmar (hereinafter referred to as "MOGE").

TOTAL, UNOCAL, PTTEPI and MOGE being hereinafter referred to individually as "Party" and collectively as the "Parties".

WITNESSETH

WHEREAS TOTAL and UNOCAL have signed on June 1st 1994 a Production Operating Agreement in order to define their respective rights and obligations with respect to their operations in the Union of Myanmar under certain Contract (as defined in said Production Operating Agreement) with MOGE ;

WHEREAS TOTAL and UNOCAL have assigned to PTTEPI effective from January 9th 1995, each in proportion to its participating interest, an undivided participating interest of thirty percent (30 %) in the interests, rights, privileges, duties and obligations of Contractor under the Contract ;

WHEREAS TOTAL, UNOCAL and PTTEPI have signed on January 29th 1995 the Amendment n° 1 to the Production Operating Agreement (both documents together referred to as the "POA") embodying PTTEPI's participation in and under the Contract and the POA ;

WHEREAS TOTAL, UNOCAL and PTTEPI have assigned to MOGE effective from February 8th 1995, each in proportion to its participating interest, an undivided participating interest of fifteen percent (15 %) in the interests, rights, privileges, duties and obligations of Contractor under the Contract ;

NOW THEREFORE in consideration of the mutual premises and covenants contained herein the Parties agree to amend the aforesaid POA as follows :

ARTICLE 1

As result of the aforementioned transfer and assignment, Article 3.1 (A) of the POA shall read as follows :

"The Participating Interest of the Parties are :

TOTAL	thirty one and twenty three seventy five tenth percent	(31.2375 %)
UNOCAL	twenty eight and twenty six twenty five tenth percent	(28.2625 %)
PTTEPI	twenty five and fifty tenth percent	(25.5000 %)
MOGE	fifteen percent	(15.0000 %)"

ARTICLE 2

Article 18.2 Dispute Resolution, of the POA shall read as follows :

"18.2. Dispute Resolution

- (A) Any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration, and either Party may submit such a dispute, controversy or claim to arbitration.
- (B) The arbitration shall be held and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within thirty (30) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within twenty (20) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or one Party refuses to appoint its Party-appointed arbitrator within said twenty (20) Day period, the appointing authority for the implementation of such procedure shall be designated in accordance with the UNCITRAL Arbitration Rules as at present in force. All decisions and awards by the arbitration tribunal shall be made by majority vote.
- (C) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings :
 - (1) The arbitration proceedings shall be held in Singapore.
 - (2) The arbitration proceedings shall be conducted in the English language and the arbitrators shall be fluent in the English language.
 - (3) The arbitrators shall be and remain at all times wholly independent and impartial.
 - (4) The arbitration proceedings shall be conducted in accordance with the UNCITRAL Arbitration Rules as at present in force.
- (5) Any procedural issues not determined under the arbitral rules selected pursuant to Article 18.2.(C) (4) shall be determined by the law of the place of arbitration, other than those laws which would refer the matter to another jurisdiction.
- (6) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrators.
- (7) The decision of a majority of the arbitrators shall be reduced to writing ; final and binding without the right of appeal ; the sole and

exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrators ; made and promptly paid in U.S. Dollars free of any deduction or offset ; and any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law, be charged against the Party resisting such enforcement.

- (8) Consequential, punitive or other similar damages shall not be allowed ; provided, however, the award may include appropriate punitive damages where a Party has engaged in delaying and dilatory actions.
- (9) The award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate.
- (10) Judgment upon the award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.
- (11) Whenever the Parties are of more than one nationality, the presiding arbitrator shall not be of the same nationality as any of the Parties or their ultimate parent entities."

ARTICLE 3

In Article 20-2 (A) and (B) of the POA the figure "fifty percent (50 %)" is deleted and substituted by "sixty percent (60 %)".

ARTICLE 4

MOGE hereby accepts and agrees to become a party to and be bound by all terms and conditions of the POA as amended by the present Amendment n° 2.

ARTICLE 5

Article 17 of the POA, "Notices" is amended and completed as follows :

UNOCAL MYANMAR OFFSHORE CO. LTD
c/o Unocal Asia-Pacific Ventures, Ltd.
501 Orchard Road
#04-06/08 Lane Crawford Place
Singapore 238880
Tel. (65) 732-7600
Fax. (65) 735-0760

Attention : JOHN G. VANDERMEER

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K. *Ad*
HG

THE MYANMA OIL AND GAS ENTERPRISE
74/80 Min Ye Kyaw Swa Road
YANGON, UNION OF MYANMAR
Fax : 95-1-22964/22965
Tel : 95-1-21049
Telex : MYCORP BM 21307

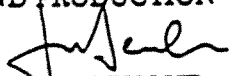
Attention : Managing Director

ARTICLE 6

This Amendment n°2 shall become effective and binding upon the Parties as of the 8th February 1995, it being understood that the financial provisions of the POA related to recovering costs and expenses (Cost Petroleum) shall apply from July 9th 1992. The provisions of the POA which are not expressly amended by this Amendment n°2 shall remain in full force and effect.

IN WITNESS WHEREOF, this Agreement has been duly signed in four originals by the Parties hereto on the date first above written.

TOTAL MYANMAR EXPLORATION
AND PRODUCTION


BY : J.M. BEUQUE

TITLE : Directeur Général

PTTEP INTERNATIONAL LIMITED


BY : Viset CHOOPIBAN

TITLE : Chairman and President

UNOCAL MYANMAR
OFFSHORE Co. Ltd.


BY : John G. VANDERMEER

TITLE : President

THE MYANMA OIL AND GAS
ENTERPRISE


BY : U KYAW NYEIN

TITLE : Managing Director

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