

PRODUCTION SHARING CONTRACT

RENEWAL AGREEMENT FOR OML 118

BETWEEN

**NIGERIAN NATIONAL PETROLEUM CORPORATION
(THE CORPORATION)**

AND

**SHELL NIGERIA EXPLORATION AND PRODUCTION COMPANY LIMITED
(SNEPCo)**

AND

**ESSO EXPLORATION AND PRODUCTION NIGERIA (DEEPWATER)
LIMITED (ESSO)**

AND

NIGERIAN AGIP EXPLORATION LIMITED (NAE)

AND

TOTAL E&P NIGERIA LIMITED (TEPNG)

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This PRODUCTION SHARING CONTRACT (Contract) is entered into effective as of the 25th Day of May 2021 ("Effective Date") between:

THE NIGERIAN NATIONAL PETROLEUM CORPORATION, a corporation established under the laws of the Federal Republic of Nigeria, whose Head office is at NNPC Towers, Herbert Macaulay Way, Central Business District, Abuja, Nigeria (hereinafter called the "**CORPORATION**") which expression shall, where the context so admits, include its successors- in-title and assigns);

AND

SHELL NIGERIA EXPLORATION AND PRODUCTION COMPANY LIMITED ("SNEPCo"), a company incorporated under the Laws of the Federal Republic of Nigeria and having its registered office at 21/22 Marina, Lagos, Nigeria (hereinafter called "**SNEPCo**") which expression shall, where the context so admits, include its successors- in-title and assigns);

ESSO EXPLORATION AND PRODUCTION NIGERIA (DEEPWATER) LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at Mobil House, 1 Lekki Expressway, Victoria Island, Lagos, Nigeria (hereinafter called "**ESSO**") which expression shall, where the context so admits, include its successors- in-title and assigns);

NIGERIAN AGIP EXPLORATION LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at No. 40/42 Aguiyi Ironsi Street, Maitama, Federal Capital Territory, Abuja, Nigeria (hereinafter called "**NAE**") which expression shall, where the context so admits, include its successors- in-title and assigns); and

TOTAL E&P NIGERIA LIMITED (formerly Elf Petroleum Nigeria Limited), a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at Plot 247, Herbert Macaulay Way, Central Business District, Abuja, Nigeria (hereinafter called "**TEPNG**") which expression shall, where the context so admits, include its successors- in-title and assigns).

SNEPCo, ESSO, NAE and TEPNG are collectively called the "**CONTRACTOR**".

The CORPORATION and CONTRACTOR are herein collectively referred to as "Parties" and each as a "Party".

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Recitals

WHEREAS

- A. By virtue of Section 1 of the Petroleum Act, CAP. P10 Laws of the Federation of Nigeria ("LFN"), 2004, the Government of the Federal Republic of Nigeria ("Nigeria") is vested with the entire ownership and control of all petroleum in, under or upon any land which is in Nigeria or under the territorial waters of Nigeria or forms part of the continental shelf of Nigeria or within the Exclusive Economic Zone of Nigeria;
- B. The CORPORATION was the holder of the Oil Prospecting Licence (OPL) No 212 ("OPL 212") and is entitled to hold any subsequent Oil Mining Lease(s) (OML(s)) derived therefrom;
- C. SNEPCo and the CORPORATION were the original parties to a production sharing contract in respect of OPL 212, entered into on April 19, 1993 with the approval of the then Hon. Secretary of Petroleum and Mineral Resources (the "1993 PSC");
- D. By virtue of various assignments, ESSO, NAE and TEPNG acquired their respective interests in the 1993 PSC as CONTRACTOR Parties with the consent of the CORPORATION;
- E. OPL 212 was subsequently converted to Oil Mining Lease ("OML") 118 on 28th November 2005;
- F. The acreage granted pursuant to OML 118 constitutes the Contract Area;
- G. By virtue of holding the OML, the CORPORATION has the right to win and otherwise treat petroleum discovered in the Contract Area;
- H. The CORPORATION, as holder of all rights in and to the Contract Area, appointed and conveyed to the CONTRACTOR, the exclusive right to conduct Petroleum Operations in the Contract Area for and on behalf of the CORPORATION;
- I. Pursuant to Clause 3.1(a) of the 1993 PSC, the contract was to run for a term of thirty (30) years from its effective date inclusive of a ten-year exploration period and a twenty-year OML period;
- J. By virtue of Clause 3.1(b) of the 1993 PSC, the CORPORATION was under an obligation to seek a renewal of OML 118 and if granted, the contract was to be extended at the option of either Party for the duration of such renewal;

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- K. With the twenty-year OML period of the 1993 PSC set to end on 28th November 2025, the CORPORATION sought and has received the requisite approval for the renewal of the OML effective on the **15th day of January 2021** for a further twenty-year period;
- L. By virtue of a Disputes Settlement Agreement ("DSA") dated the **25th day of May 2021**, the Parties agreed to certain modifications of the 1993 PSC in order to settle several disputes arising from differences in the interpretation and/or performance of certain provisions in the 1993 PSC;
- M. By virtue of a Historical Gas Agreement ("HGA") dated the **25th day of May 2021**, the Parties have entered into an arrangement for the sharing of revenues derived from the sale of Associated Gas produced from the Contract Area prior to the Effective Date;
- N. The OML in respect of the Contract Area has been renewed and issued to the CORPORATION and the Parties have agreed to renew the production sharing contract in respect of OML 118 by the execution of this Contract in accordance with the terms hereof;
- O. The Parties have received all requisite approvals to enter into this Contract;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein reserved and contained, the Parties hereby agree as follows:

Article 1: Definitions

1.1. As used in this Contract, unless otherwise specified, the following terms shall have the respective meaning herein ascribed to them:

"1993 PSC" has the meaning specified in Recital C.

"Abandonment" means the plugging and abandonment of wells; the removal and disposal of equipment and facilities including but not limited to wellheads, processing and storage facilities, platforms, pipelines, transport and export facilities, plants, machinery, fixtures, the restoration of sites and structures including the payment of damages relating thereto at the end of field life.

"Accounting Procedure" means, the rules and procedures as set forth in Annex B and attached to and forming part of this Contract.

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"Affiliate" means any business entity controlled by, controlling or under common control with a Party to this Contract. For this purpose, "control" shall mean the direct or indirect ownership of more than 50% (fifty percent) of the voting stock of a company, or in the absence of ownership of more than 50% (fifty percent) of the voting stock of that company, the power, directly or indirectly, to direct or cause the direction of the management and policies of such company. For the sake of clarity, holding, parent, sister and subsidiary companies are considered to be Affiliates.

"Agreed Rate" means the secured overnight financing rate for overnight borrowing published for the period closest in duration to the late payment period, as published by the Federal Reserve Bank of New York or if the Federal Reserve Bank of New York ceases to publish a period average, such alternative index from such source as the Parties may agree (acting reasonably) that closely replicates so far as possible the previous index.

"Anti-Bribery Laws and Obligations" means: (i) for all Parties, the Laws relating to combating bribery and corruption of the Federal Republic of Nigeria and the principles of the Organization for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and (ii) for each of the Parties, the laws relating to combating bribery and corruption in the countries of such Party's place of incorporation, principal place of business, and/or place of registration as an issuer of securities, and/or in the countries of such Party's ultimate parent company's place of incorporation, principal place of business, and/or place of registration as an issuer of securities.

"Appraisal Well" means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or volume of hydrocarbons contained in a discovery;

"Associated Gas" means all gaseous hydrocarbons produced in association with Crude Oil.

"Available Crude Oil" means the Crude Oil won and saved from the Contract Area after deducting amounts used in Petroleum Operations.

"Barrel" means, a quantity or unit of Crude Oil, equal to forty-two (42) United States gallons at the temperature of sixty degrees Fahrenheit (60°F) at normal atmospheric pressure.

"Budget" means, the cost estimate of activities relating to Petroleum Operations included in a Work Programme.

"Calendar Year" means, a period of twelve (12) months commencing from January 1 and ending the following December 31.

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"Capital Cost" means, those expenditures incurred, and obligations made in accordance with Article II.2 of the Accounting Procedure (Annex B).

"CIT" means the tax payable pursuant to the **Companies Income Tax Act ("CITA")**.

"Commercial Quantity" means the quantity of Crude Oil discovered in the Contract Area, which the Parties agree shall be economically, and profitably produced to the benefit of the Parties but shall not in any event be lower than the commercial quantity as defined in the Petroleum Act.

"Concession Rentals" means, the rents payable annually on the OML under the Petroleum Act.

"Consequential Loss" means any damages, costs, or liabilities, or any losses or deferments of revenue, profit, opportunity or use, regardless of cause or arising, which are not immediately and directly caused by the relevant act or omission, including:

- ◇ any indirect damage, cost, or liability arising out of any delay, reduction or loss of ability to produce, store, transport, process or dispose of petroleum or any products derived from petroleum;
- ◇ any indirect damage, cost, or liability associated with business interruption or increased cost of working during business interruption, including the incremental cost of overhead expenses incurred;
- ◇ any indirect, special or punitive damages and penalties of any kind; and
- ◇ any loss or deferment of production, revenue, profit, opportunity, use, bargain, contract, expectation or opportunity.

"Contract" means, this Production Sharing Contract, together with the Annexes and Appendices attached to it, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

"Contract Area" means, the area of the OML as described in Annex A.

"Contract Year" means, a period of twelve (12) consecutive months according to the Gregorian Calendar, from the Effective Date or from the anniversary of the Effective Date.

"Contractor" means, all of the Contractor Parties jointly and severally.

"Contractor Party" means any one of the entities making up the CONTRACTOR or their successors or assigns, and **"Contractor Parties"** means all of the said parties or their successors and assigns.

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"Cost Oil" means the quantum of Available Crude Oil allocated to the CONTRACTOR for recovery of Operating Costs incurred in respect of Petroleum Operations in the Contract Area after the allocation of Royalty Oil to the CORPORATION and as provided in Annex B.

"Cost Oil Ceiling" has the meaning specified in Article 10.1.3.

"Crude Oil" means the liquid petroleum, which has been treated but not refined and includes condensates but excludes basic sediments and water.

"Decommissioning" means the plugging and abandonment of wells; the removal and disposal of equipment and facilities prior to the end of field life, including but not limited to wellheads, processing and storage facilities, platforms, pipelines, transport and export facilities, plants, machinery, fixtures, and the restoration of sites and structures.

"Deep Offshore and Inland Basin Production Sharing Act" or "DOA" means the Deep Offshore and Inland Basin Production Sharing Contract Act CAP D3 LFN, 2004.

"Department" or "Regulator" means the Department of Petroleum Resources ("DPR") of the Ministry of Petroleum Resources referred to as Petroleum Inspectorate under the Nigerian National Petroleum Corporation Act, CAP. N123 LFN 2004 or any successor thereof delegated with the Department's responsibility.

"Education Tax" means tax payable under the Tertiary Education Trust Fund Act.

"Effective Date" means the date of execution of this Contract as first stated above.

"Field Development Programme" means the programme of activities presented by the CONTRACTOR and approved by the Corporation outlining the plans for the development of a Commercial Quantity. Such programme of activities shall include, but not be limited to:

- a. reservoir, geological and geophysical studies and surveys;
- b. drilling of production and injection wells;
- c. design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, plants and related activities necessary to produce and operate said wells,
- d. undertake re-pressurising, recycling and other secondary or tertiary recovery projects;
- e. an environmental management plan;

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f. decommissioning

"Finance Act" means the Finance Act, 2019.

"Fiscal Module" means the module within the Joint Entitlement Model which specifies the amounts payable to the Government or any statutory body in accordance with applicable Law.

"Foreign Currency" means currency other than the Nigerian currency.

"Gas Royalty" means royalty for the sale of gas as provided in the Petroleum Act.

"Gas Tax" means tax payable on gas income and profit as provided under Section 11.2(d) of the Petroleum Profits Tax Act and the Companies Income Tax Act.

"Government" means the Government of the Federal Republic of Nigeria.

"HGA" has the meaning specified in Recital M.

"Joint Entitlement Model (JEM)" means the model agreed by the Parties as described in Annex G which shall be utilized by the CONTRACTOR in computing entitlement and preparation of returns in accordance with this Contract and relevant laws.

"Law" shall mean any Nigerian statute, constitution, decree, rule, regulation, bye-law, ordinance, policy directive or guideline of Government having the force of law, in each case, applicable to the Parties now or hereafter in effect and in each case as may be amended, modified or enacted.

"Lifting Module" means the module within the Joint Entitlement Model which specifies the Parties' lifting entitlements, the parameters of which shall remain unchanged for the duration of the Contract.

"Lifting Procedure" means, the Rules and Procedures set forth in Annex D and attached to and forming part of this Contract.

"Management Committee" or "MACOM" has the meaning specified in Article 7.1.

"Minister" means the Minister charged with the responsibility for Petroleum Resources in Nigeria.

"Ministry" means the Ministry charged with the responsibility for Petroleum Resources in Nigeria.

"Natural Gas" means all Associated Gas and Non-Associated Gas.

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"Nigerian Content" means the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacity and capabilities through the deliberate utilization of Nigerian human, material resources and services in the Nigerian oil and gas industry in accordance with the NOGICD Act.

"NOGICD Act" means the Nigerian Oil and Gas Industry Content Development Act, 2010.

"Non-Associated Gas" means all gaseous hydrocarbons produced from reservoirs which produce mainly gaseous hydrocarbons.

"Non-Capital Costs" means those expenditures incurred and obligations made in accordance with Article II.1 of the Accounting Procedure (ANNEX B);

"Oil Mining Lease" ("OML") means a lease granted by the Minister under the Petroleum Act to a lessee, to search for, win, work, carry away and dispose of petroleum.

"Oil Prospecting Licence" ("OPL") means a licence granted by the Minister under the Petroleum Act and the DOA to a licensee to prospect for petroleum.

"Operating Costs" means, expenditures incurred and obligations made as determined in accordance with Article II of the Accounting Procedure (ANNEX B).

"Operator" means the party designated by the Contractor Parties to act on behalf of the Contractor Parties under the PSC to carry out Petroleum Operations in the Contract Area, as notified in writing to the CORPORATION.

"Party" means, either the CORPORATION or the CONTRACTOR and "Parties" means, the CORPORATION and the CONTRACTOR.

"Petroleum Act" means the Petroleum Act, Chapter P10, Laws of the Federation of Nigeria, 2004.

"Petroleum Operations" means, the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company as defined in the PPT. For the purpose of this Contract, Petroleum Operations shall include operations for the decommissioning and abandonment of facilities and petroleum deposits.

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"Petroleum Profits Tax" or "PPT" means the tax payable pursuant to the Petroleum Profits Tax Act.

"Petroleum Profits Tax Act" or "PPTA" means the Petroleum Profits Tax Act, Cap P13 LFN.

"Proceeds" means the amount in U.S. Dollars determined by multiplying the Realisable Price by the number of Barrels of Available Crude Oil lifted by either Party.

"Production" means the set of activities intended to petroleum extraction, including, but not be limited to, the running, servicing, maintenance and repair of completed wells and of the equipment, pipelines, systems, facilities and plants completed during development, including all activities related to planning, scheduling, controlling, measuring, testing and carrying out the flow, gathering, treating, storing and dispatching of petroleum from the underground petroleum reservoirs to the designated exporting or lifting location.

"Profit Oil" means the balance of Available Crude Oil after the allocation of Royalty Oil, Tax Oil, and Cost Oil.

"Public Official" means (i) any officer, employee, director, principal, consultant, agent or representative, whether appointed or elected, of any government (whether central, federal, state or provincial), ministry, body, department, agency, instrumentality or part of any of them, or any public international organization, or any state or government owned or controlled entity, agency, enterprise, joint venture, or partnership (including a partner or shareholder of such an enterprise); (ii) any person acting in an official capacity for or on behalf of (a) any government, ministry, body, department, agency, instrumentality or part of any of them, or (b) any public international organization, or (c) any political party or political party official or candidate for office.

"Realisable Price" means the price for crude oil determined in accordance with the provisions of Annex J.

"Royalty" means, the amount of royalty payable to the Government as determined by the DOA;

"Royalty Oil" means, the quantum of Available Crude Oil produced from the Contract Area that shall generate an amount of Proceeds equal to the actual amount payable for Royalty under this Contract.

"Tax Oil" means, the quantum of Available Crude Oil produced from the Contract Area and allocated to the CORPORATION after the deduction of Royalty Oil and Cost Oil which shall

generate an amount of Proceeds equal to the actual payment for Petroleum Profits Tax under this Contract.

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

"Wilful Misconduct" means any act or failure to act of a Party (whether sole, joint, or concurrent), which was intended to cause or which was in reckless disregard of or wanton indifference to the harmful consequences that such Party so acting knew or should have known; such act or failure to act would have on (a) the safety of personnel or property; or (b) Petroleum Operations, but shall not include an intentional, reckless disregard, or wanton indifference of either (a) or (b) if the same is in compliance with the instruction of any Government authority, pursuant to a decision of the Management Committee, or any act or omission reasonably required to meet emergency conditions including the safeguarding of life, property, or Petroleum Operations.

"Work Programme" means activities relating to Petroleum Operations defined in Article 6, which shall be carried out by the CONTRACTOR in the Contract Area for the applicable period.

- 1.2 Reference to the singular includes a reference to the plural and vice versa.
- 1.3 The headings used in this Contract are for convenience only and shall not be used to construe or interpret the Contract.
- 1.4 Any law, statute or regulation referred to in this Contract shall mean the law, statute or regulation as it exists on the date of execution of this Contract and any amendment(s) thereto.
- 1.5 References to Articles and Annexes shall mean references to Articles and Annexes of this Contract.

Article 2: Annexes to the Contract

- 2.1 The following Annexes form an integral part of the Contract:

Annex A OML118 Coordinates

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Annex B	Accounting Procedure
Annex C	Allocation Procedure
Annex D	Uniform Nomination, Ship Scheduling, and Lifting Procedure
Annex E	Procurement and Project Implementation Procedures
Annex F	Associated Gas
Annex G	Joint Entitlement Model
Annex H	Cost Verification Process
Annex I	Surviving Provisions
Annex J	Valuation of Available Crude Oil

- 2.2 In the event of discrepancy between the content or the form of the Annexes and the body of the Contract, the provisions of the body of the Contract shall prevail.

Article 3: Scope

- 3.1 This Contract is a Production Sharing Contract, governed in accordance with the terms and provisions hereof. Petroleum Operations and provision of financial and technical requirements by the CONTRACTOR under this Contract shall be in consultation with the CORPORATION where required under this Contract.

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- 3.2 During the term of this Contract, the total Available Crude Oil shall be allocated to the Parties in accordance with the provisions of Article 10, the Accounting Procedure (Annex B) and the Allocation Procedure (Annex C).
- 3.3 The CONTRACTOR shall provide funds and bear the risk of Operating Costs required to carry on Petroleum Operations and shall therefore have an economic interest in the development of Crude Oil and Associated Gas deposits in the Contract Area.
- 3.4 The CONTRACTOR is engaged in Petroleum Operations pursuant to the Petroleum Act and other relevant legislation.
- 3.5 The CONTRACTOR, on behalf of the CORPORATION, shall have exclusive control and administration of Petroleum Operations, and within the limits defined by this Contract, shall execute contracts, incur expenses, make commitments, and implement other actions in connection with the Petroleum Operations.
- 3.6 Contractor Parties and the CORPORATION shall each be liable for Petroleum Profits Tax, Companies Income Tax and other taxes of general application arising as a result of Petroleum Operations hereunder, in accordance with the Law and the provisions of this Contract.
- 3.7 Except with respect to liability for taxes as specified in Article 3.6, which shall be several and not joint, the Contractor Parties shall be jointly and severally liable for all CONTRACTOR obligations under this Contract.

Article 4: Bonuses

Not used

Article 5: Term

- 5.1 This Contract shall come into force and effect on the Effective Date and subject to the provisions of Article 23.7 and Article 25, shall be for a duration of twenty (20) years.

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- 5.2 From the Effective Date, the CONTRACTOR shall continue the conduct of petroleum operations commenced under the 1993 PSC in accordance with the terms of this Contract.
- 5.3 Where the Contract Area continues to be in commercial production at the expiration of this Contract, the CORPORATION shall, to the extent permissible by Law, seek the renewal of the OML. If a renewal is granted, this Contract shall be extended on the terms and conditions to be agreed by the Parties. Where Parties fail to agree, the Contract shall not be extended and shall terminate upon expiration of the term specified in Article 5.1.

Article 6: Work Programme and Expenditure

- 6.1 At least three (3) months prior to the beginning of each Calendar Year, the CONTRACTOR shall prepare and submit for review and approval by the Management Committee pursuant to Article 7, a Work Programme and Budget for the Contract Area setting forth the Petroleum Operations which the CONTRACTOR proposes to carry out during the ensuing Calendar Year. The Management Committee shall review and approve such Work Programme and Budget in accordance with Article 7.7.4.
- 6.2 Except as expressly provided for in this Contract, Petroleum Operations and expenditure carried out and incurred under this Contract shall be with the prior approval of the Management Committee and in accordance with the provisions of this Contract.
- 6.3 Subject to Article 8.1.4, the CONTRACTOR shall inform the CORPORATION in writing (including a cost estimate) of any activity which the CONTRACTOR, in its reasonable judgement:
- (i) deems imperative to enable the CONTRACTOR to perform its obligations with respect to an ongoing work activity approved by MACOM and anticipates will result in overruns in excess of 10% of approved budget or;
 - (ii) is required to avoid health, safety, security and environmental damage.

In the event of any notification by CONTRACTOR pursuant to this Article 6.3, the CORPORATION shall respond in writing no later than fifteen (15) Working Days from the date of

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receipt of such notification, failing which the CORPORATION shall be deemed to have given its approval to the request.

Any expenditure associated with such activity which is disputed by MACOM shall be disqualified as Operating Costs if the activity and expenditure are rejected in accordance with the cost verification process specified in Annex H.

Article 7: Management Committee

- 7.1 The Management Committee established under the 1993 PSC shall continue to function hereunder from the Effective Date for the purpose of providing continuity and orderly direction of all matters pertaining to the Petroleum Operations and Work Programme.
- 7.2 The powers and duties of the Management Committee shall include but not be limited to the following:
- 7.2.1 the review, revision, and approval of all proposed Work Programmes and Budgets in accordance with Articles 6 and 7.7.4 and all Field Development Programmes
 - 7.2.2 the revision, and approval of any proposed recommendations made by either Party or by any sub-committee pursuant to Article 7.10 with respect to Petroleum Operations;
 - 7.2.3 ensuring that the CONTRACTOR carries out the decisions of the Management Committee and conducts Petroleum Operations pursuant to this Contract;
 - 7.2.4 settlement of claims and litigation valued in excess of twenty-five million Naira (N25,000,000) or the equivalent thereof in Foreign Currency insofar as such claims are not covered by policies of insurance maintained under this Contract;
 - 7.2.5 consideration and approval of the sale or disposal of any items or movable property relating to Petroleum Operations in accordance with the provisions of this Contract, except for items of historic costs of less than twenty-five Million Naira (N25,000,000) or the equivalent thereof in Foreign Currency (or such other amount as may be approved by the Management Committee) provided that any sale or disposal of fixed assets shall be with the prior approval of the CORPORATION;

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- 7.2.6 settlement of unresolved audit exceptions arising from audits as provided for in Article 19.3 and 19.4 of this Contract;
- 7.2.7 ensuring that the CONTRACTOR implements the provisions of the Accounting Procedure (Annex B), the Allocation Procedure (Annex C), the Lifting Procedure (Annex D), and the Procurement and Project Implementation Procedures (Annex E) and all amendments and revisions thereto as agreed by the Parties;
- 7.2.8 any other matters relating to Petroleum Operations except:
- 7.2.8.1 those matters reserved to the Parties in their respective rights; or
- 7.2.8.2 those matters elsewhere provided for in this Contract;
- 7.2.9 consideration and approval of the sale, disposal or exchange of information to third parties other than routine exchange of seismic data and other such data commonly exchanged within the industry;
- 7.2.10 giving effect to Article 20.3, ensuring that the CONTRACTOR shall provide an annual budget for capacity building of the CORPORATION's personnel; and
- 7.2.11 the review and approval of the performance of the Work Programme and Budget.
- 7.3 The Management Committee shall consist of ten (10) persons appointed by the Parties as follows, each of whom is authorised to represent its appointing Party with respect to the decisions of the Management Committee:
- | | |
|-------------|-----|
| CORPORATION | - 5 |
| CONTRACTOR | - 5 |
- 7.4 Each Party shall provide at least ten (10) days written notice to the other Party, of any changes to its representatives (or the positions held by the representatives of the

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CORPORATION) and their respective alternates. Such notice shall give the names, titles or positions, and addresses of the designated members and alternates.

- 7.5 At least fourteen (14) working days prior to each scheduled Management Committee meeting, the secretary shall provide an agenda of matters, with briefs, to be considered during such meeting. Any Party desiring to have other matters placed on the agenda shall give notice to the other Party not less than seven (7) working days prior to the scheduled meeting. No other matter may be introduced into the agenda thereafter for deliberation at the meeting unless mutually agreed by the Parties. No agenda shall be required in the event of an emergency meeting called pursuant to Article 7.7.1.
- 7.6 The CORPORATION shall appoint one of its five (5) members as the chairman of the Management Committee and the CONTRACTOR shall appoint the secretary. The secretary shall not be a member of the Management Committee but shall keep minutes of all meetings and records of all decisions of the Management Committee. The minutes of each meeting shall be approved by the Management Committee at the next meeting and copies thereof shall be supplied to the Parties. In addition, the secretary shall at each meeting, prepare a written summary of any decision made by the Management Committee for approval and signature by the Parties.
- 7.7 No later than the twenty-eighth (28th) day of February of each Contract Year, the secretary shall prepare and forward to the Parties, a calendar of meetings as agreed by the Management Committee for that Year.
- 7.7.1 The Management Committee shall meet at least once every four (4) calendar months, or at such other intervals or venue as may be agreed by the Management Committee and, in addition, whenever requested by a Party by giving at least twenty-one (21) days' notice in writing to the other Parties which notice shall specify the matter or matters to be considered at the meeting; or, when summoned by the chairman or by the CONTRACTOR as an emergency meeting for which no specified notice period shall be required.
- 7.7.2 The quorum for any meeting of the Management Committee shall consist of a minimum of three (3) representatives of the CORPORATION and three (3)

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representatives of the CONTRACTOR. The chairman or his alternate and the CONTRACTOR's designated lead representative or his alternate must be present at every Management Committee meeting for a quorum to be formed. If no such quorum is present, the chairman shall call another meeting of the Management Committee giving at least fourteen (14) days written notice of such meeting.

7.7.3 The secretary shall in consultation with the chairman convene all meetings of the Management Committee other than emergency meetings. Notwithstanding the foregoing, the secretary may convene an emergency meeting requested by the CONTRACTOR.

7.7.4 Within eight (8) weeks after the submission of a Work Programme and Budget by the CONTRACTOR, the Management Committee shall meet to consider and approve such submission. If the CORPORATION wishes to propose a revision as to certain specific features of the said Work Programme and Budget, it shall within six (6) weeks after receipt of such Work Programme and Budget notify the CONTRACTOR in writing specifying in reasonable detail the changes requested and its reasons therefor. The Management Committee shall resolve the request for revisions proposed by the CORPORATION. If the CORPORATION has not proposed any revisions in writing within six (6) weeks, then such Work Programme and Budget as submitted shall be approved by resolution of the Management Committee. Any portion of a Work Programme in respect of which the CORPORATION has not proposed a revision shall in so far as possible be carried out as prescribed therein.

7.8 Except as may be expressly provided for in this Contract, the Management Committee shall determine and adopt rules to govern its procedures. All documents required for its meetings shall be made available to the members seven (7) days prior to the meeting.

7.8.1 Members attending a meeting of the Management Committee may be accompanied by advisers and experts to the extent reasonably necessary to assist with the conduct of such meeting. Such advisers and experts shall not vote or in any way participate in decisions, but may contribute in a non-binding way to discussions or debates of the Management Committee.

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- 7.8.2 Except as otherwise expressly provided in this Contract, all decisions of the Management Committee shall be made by the unanimous vote of the Parties. If unanimity is not obtained on any matter (including any matter pertaining to a Work Programme or Budget) proposed to the Management Committee, then the Management Committee shall meet again to attempt to resolve such matter not later than fourteen (14) days after the meeting in which the proposed matter failed to be resolved. Any portion of such proposal that is not rejected, shall insofar as possible be carried out. If unanimity is not obtained in the second meeting, then the Management Committee shall meet a third time within twenty-one (21) days after the second meeting.
- 7.8.3 At least seven (7) days after the second meeting, the Party casting the dissenting vote shall provide to the other Parties in writing in reasonable detail, the reasons for such dissenting vote. If such written reasons are not provided at least seven days prior to the third meeting, then the proposal shall be deemed approved by all the Parties. In such third meeting the agenda shall be comprised of such written reasons as provided by the dissenting Party.
- 7.8.4 If unanimity is not obtained at the third meeting then the CORPORATION and the CONTRACTOR may agree to appoint an independent qualified expert to advise on the matter, which advice shall be binding on the Parties. In the event of failure of the Parties to agree to the appointment of the said expert, the provisions of Article 27 shall apply.
- 7.8.5 The Parties shall be bound and abide by, each decision of the Management Committee duly made in accordance with the provisions of this Contract.
- 7.9 Any matter which is within the powers and duties of the Management Committee may be determined by the Management Committee without a Management Committee meeting if such matter is submitted in writing by either Party to the other Party with due notice and with sufficient information regarding the matter to be determined so as to enable the Parties to make an informed decision with respect to such matter. The other Party to whom the information is submitted shall agree in writing with the proposed request for the said decision to be carried out subject further to the provisions herein:

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- 7.9.1 Except for urgent matters referred to in Article 7.9.3, each Party shall cast its vote with respect to such matter within twenty-one (21) days of receipt of such notice and such manner of determination shall be followed unless a Party objects, within twenty-one (21) days of receipt of such notice, to having the matter determined in such manner. If any Party fails to vote by the expiry of the twenty-one (21) day period for voting, it shall be deemed to have voted in the affirmative. The Secretary shall promptly advise the Parties of the results of such vote and the Secretary shall draft a resolution to be signed as soon as practicable by the Parties.
- 7.9.2 The decisions made pursuant to this Article 7.9 shall be recorded in the minutes of the next scheduled meeting of the Management Committee and shall be binding upon the Parties to the same extent as if the matter had been determined at a meeting of the Management Committee.
- 7.9.3 Each Party shall nominate one of its officers as its representative from whom the other Party may seek binding decisions on urgent matters, including, but not limited to ongoing drilling operations, by e-mail, registered or hand delivered letter, or in person. The Parties shall advise each other in writing of the persons so nominated and any changes thereof.
- 7.10 The exploration and technical sub-committees and any other advisory subcommittees, including finance and budget, and legal services sub-committees established under the 1993 PSC shall continue to function hereunder from the Effective Date in accordance with the terms of reference provided by the Management Committee except as otherwise decided by the Parties. The Management Committee may establish such other subcommittees as it deems necessary from time to time.
- 7.10.1 Each sub-committee established pursuant to this Article 7.10 shall be given terms of reference and shall be subject to such direction and procedures as the Management Committee may give or determine.
- 7.10.2 The Management Committee shall appoint the members of the sub-committees, which shall be comprised of equal representation from the Parties. The

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Management Committee shall appoint the chairmen and secretaries of the sub-committees.

- 7.10.3 The deliberations and recommendations of any subcommittee shall be advisory only and shall become binding and effective upon acceptance by the Management Committee.

Article 8: Rights and Obligations of the Parties

8.1 In accordance with this Contract, the CONTRACTOR shall:

- 8.1.1 at all times during the period of this Contract, act as a reasonable and prudent Operator;
- 8.1.2 provide personnel and all necessary funds for payment of Operating Costs including, but not limited to, funds required to provide all materials, equipment, supplies, and technical requirements purchased, paid for or leased in Foreign Currency;
- 8.1.3 provide such other funds for the performance of Work Programmes including payments to third parties who perform services in accordance with terms contained therein as sub-contractors;
- 8.1.4 prepare Work Programmes and Budgets and carry out approved Work Programmes in accordance with internationally acceptable petroleum industry practices and standards including all laws, regulations and other subsidiary legislation in force in Nigeria with the objective of avoiding waste and obtaining maximum ultimate recovery of Crude Oil at minimum costs;
- 8.1.5 ensure that all leased equipment paid for in Foreign Currency and brought into Nigeria for Petroleum Operations are treated in accordance with the terms of the applicable leases;
- 8.1.6 have the right of ingress to and egress from the Contract Area and to and from facilities therein located at all times during the term of this Contract;

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- 8.1.7 submit to the CORPORATION for permanent custody copies of all geological, geophysical, drilling, well production, operating and other data and reports as it may compile during the term hereof and at the end of the Contract surrender all original data and reports to the CORPORATION;
- 8.1.8 prepare, for and on behalf of the Parties, estimated Petroleum Profits Tax and CIT returns with respect to the Contract Area using the "Joint Entitlement Model" and submit same to the CORPORATION on a timely basis in accordance with the applicable law. The CORPORATION shall file the tax returns prepared by CONTRACTOR in accordance with the JEM and the Law (on behalf of the Parties). The CORPORATION shall file the final Petroleum Profits Tax returns prepared by the CONTRACTOR with the relevant tax authority. In the event of a dispute between the Parties with respect to the preparation or filing of any tax return, the CORPORATION shall file such tax return as prepared by the CONTRACTOR prior to the deadline prescribed by Law, pending the resolution of such dispute;
- 8.1.9 have the right to lift in accordance with Annex D and freely export and to retain abroad, the receipts from the sale of Available Crude Oil allocated to it hereunder;
- 8.1.10 prepare and carry out plans and programmes for industry training and education of Nigerians for all job classifications with respect to Petroleum Operations in accordance with the Petroleum Act;
- 8.1.11 conduct litigation and settlement of claims in connection with the Contract Area or Petroleum Operations for and on behalf of the Parties pursuant to the direction of the Management Committee;
- 8.1.12 employ only such personnel as are reasonably necessary to conduct Petroleum Operations in a prudent and cost-effective manner giving preference to suitable Nigerian citizens;

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- 8.1.13 ensure that it and its sub-contractors shall, pay all customs duties and like charges as are imposed by law in Nigeria; provided that, subject to the provisions of this Contract, the CONTRACTOR and its sub-contractors shall not be treated differently from any other companies and their sub-contractors engaged in similar Petroleum Operations in Nigeria;
- 8.1.14 present to the CORPORATION the technical and cost aspects of any field development under this Contract and thereafter agree with the CORPORATION on the development decision prior to the development of a field in the Contract Area;
- 8.1.15 not exercise all or any rights or authority over the Contract Area in derogation of the rights of the CORPORATION;
- 8.1.16 in the event of any emergency requiring immediate operational action, take all actions it deems proper or advisable to protect the interests of the Parties and any costs so incurred shall be included in the Operating Costs. Prompt notification of any such action taken by the CONTRACTOR shall be given to the CORPORATION within twenty-four (24) hours of the CONTRACTOR having become aware of the event;
- 8.1.17 submit to the CORPORATION technical and economic data, or other relevant information generated by the CONTRACTOR relating to the Contract Area, as and when required by the CORPORATION, provided however, that the CONTRACTOR shall not be required to submit its internal proprietary information; and
- 8.1.18 have the right, to finance Petroleum Operations from external sources under terms and conditions which shall include commercially reasonable rates. Interest accrued as a result of financing shall constitute Operating Costs provided such financing was obtained with the prior approval of the CORPORATION.

8.2 In accordance with this Contract, the CORPORATION shall:

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- 8.2.1 pay to the Government in a timely manner on receipt of the appropriate Royalties Charge, Concession Rentals and Petroleum Profits Tax accruing out of Petroleum Operations and indemnify and hold the CONTRACTOR harmless against all losses, damages, expenses, actions of whatever kind and nature including but not limited to legal fees and expenses suffered by the CONTRACTOR as a result of any failure to so timely pay;
- 8.2.2 with its professional staff assigned pursuant to Article 20, jointly work with the CONTRACTOR's professional staff in the Exploration, Petroleum Engineering, Facilities/Material, Legal, Finance and Environmental and Safety Departments and other areas in the Petroleum Operations;
- 8.2.3 assist and expedite the CONTRACTOR's execution of Petroleum Operations and Work Programmes including, but not limited to, assistance in supplying or otherwise making available all necessary visas, work permits, rights of way and easements as may be requested by the CONTRACTOR. The costs of the CORPORATION arising from services rendered in Article 8.2.2 and expenses incurred at CONTRACTOR's request in providing assistance under this Contract shall be reimbursed to the CORPORATION by the CONTRACTOR in accordance with Article 12.1 and shall be deemed to be Operating Costs. All reimbursement shall be made against the Corporation's invoice and shall be in U.S. Dollars computed at the rate of exchange published by the Central Bank of Nigeria or the Federal Ministry of Finance on the date the expense was incurred);
- 8.2.4 have title to all original data resulting from the Petroleum Operations including but not limited to geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data as the CONTRACTOR may compile during the term hereof, provided however, that the CONTRACTOR shall keep and use such original data during the term of this Contract and the CORPORATION shall at all times have access to such original data during the term of this Contract;
- 8.2.5 not exercise all or any of its rights or authority over the Contract Area in derogation of the rights of the CONTRACTOR; and

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8.2.6 exercise all the rights and comply with all the obligations of the Licensee or Lessee under the Petroleum Act.

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Article 9: Valuation of Available Crude Oil

9.1 Available Crude Oil allocated to each Party shall be valued in accordance with the following procedures:

9.1.1 The Realisable Price for existing Crude Oil production on the Effective Date shall be as specified in Annex J.

9.1.2 On the attainment of commercial production from a new field, each Party shall engage the services of an independent laboratory of good repute to determine the assay of the new Crude Oil.

9.1.3 When a new Crude Oil stream is produced, a trial marketing period of six (6) months shall be designated during which such new stream is lifted or for the period of time required for the first ten (10) liftings, whichever is longer. During the trial marketing period the Parties shall:

9.1.3.1 Collect samples of the new Crude Oil upon which the assays shall be performed as provided in Article 9.1.1 above;

9.1.3.2 determine the approximate quality of the new Crude Oil by estimating the yield values from refinery modelling;

9.1.3.3 share in the marketing such that each Party markets approximately an equal amount of the new Crude Oil and to the extent that one Party lifts the other Party's allocation of Available Crude Oil, payments therefor shall be made in accordance with Article 10.8;

9.1.3.4 provide information to a third party who shall compile the information and maintain all individual Party information confidential with regard to the marketing of the new Crude Oil including documents which verify the sales price and terms of each lifting;

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- 9.1.3.5 allocate the proceeds of the sale in accordance with Article 10.1; all lifting proceeds shall be paid into an escrow account, which shall be shared by the CONTRACTOR on a monthly basis and in accordance with each party's entitlement, following a joint monthly reconciliation meeting; and
- 9.1.3.6 share proceeds based on the following:
- 9.1.3.6.1 (i) first two (2) cargoes, based on the transfer price or tender price agreed with the CORPORATION;
- 9.1.3.6.2 (ii) the remaining cargoes shall be based on average price of all arms-length traded cargoes.
- 9.1.4 As soon as practicable but in any event not later than sixty (60) days after the end of the trial marketing period, the Parties shall meet to review the assay, yield, and actual sales data.
- 9.1.5 After the trial marketing period, the Realisable Price of the new Crude Oil stream shall be determined in accordance with Annex J. In the event that either Platts or Argus provides a quotation for the new Crude Oil, such quote shall be used to determine the Realisable Price until such time as the Realisable Price can be determined in accordance with Annex J. However, if neither Platts nor Argus provides a quotation on the relevant stream, the Parties shall meet and agree on the pricing methodology. Such methodology as agreed by the Parties shall cease to apply once Platts or Argus provides a quotation for the Crude Oil stream or following determination in accordance with Annex J.
- 9.1.6 When a new Crude Oil stream is produced from the Contract Area and is commingled with an existing Crude Oil produced in Nigeria, subject to Article 9.1.5, the established basis of the Realisable Price as provided in Article 9.1.3 shall be applied to determine the Realisable Price of the New Crude Oil stream.
- 9.1.7 The Parties shall meet and mutually agree on any appropriate modifications to such established valuation basis, which may be required to reflect any change in the market value of the Crude Oil as a result of commingling.

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9.2 Segregation of Crude Oil of different quality and/or grade shall be by agreement of the Parties taking into consideration, among other things, the operational practicality of segregation and the cost benefit analysis thereof. If the Parties agree on such segregation the following provisions shall apply:

9.2.1 Any and all provisions of the Contract concerning valuation of Crude Oil shall separately apply to each segregated Crude Oil produced;

9.2.2 Each grade or quality of Crude Oil produced and segregated in a given Calendar Year shall contribute its proportionate share to the total quantity designated in such Calendar Year as Royalty Oil, Cost Oil, Tax Oil and Profit Oil.

Article 10: Recovery of Operating Costs and Crude Oil Allocation

10.1 The allocation of Available Crude Oil shall be in accordance with the JEM, the Accounting Procedure (Annex B), the Allocation Procedure (Annex C) and this Article 10 as follows:

10.1.1 Royalty Oil shall be allocated to the CORPORATION in such quantum as shall generate an amount of Proceeds equal to the actual Royalty payable on the Contract Area during each month and the Concession Rental payable annually;

10.1.2 Cost Oil shall, subject to Articles 10.1.3 and 10.1.4 be allocated to the CONTRACTOR during each month in such quantum as shall generate an amount of Proceeds sufficient for recovery of Operating Costs calculated in US Dollars including operating costs incurred under the 1993 PSC (subject to the cost verification process contained in Annex H) which do not form part of the Settlement Amount under the DSA and are not fully recovered through the allocation of Cost Oil thereunder.

10.1.3 the Cost Oil Ceiling is the maximum amount of Cost Oil that can be allocated to CONTRACTOR pursuant to Article 10.1.2 and shall be Sixty percent (60%) of Available Crude Oil. The mechanism for recovery shall be in accordance with the applicable law and Annex B Articles II and IV, 5 (b) (ii);

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10.1.4 The Realisable Price established in accordance with Article 9.1.5 shall be used in determining the amount of Cost Oil allocated to the CONTRACTOR in respect of Crude Oil produced and lifted pursuant to this Contract. The parameters for new Crude Oil streams produced from the Contract Area shall also be determined in accordance with the provisions of Article 9.1.5;

10.1.5 Tax Oil shall be allocated to the CORPORATION in such quantum as shall generate an amount of Proceeds equal to the PPT payable by the Parties during each month;

10.1.6 in consideration of the cumulative production already achieved under the 1993 PSC, Profit Oil, being the balance of Available Crude Oil after deducting Royalty Oil, Cost Oil and Tax Oil shall be allocated to each Party pursuant to Schedule B-2 and Schedules B-1 Section B of the Accounting Procedure (Annex B) as follows:

CUMULATIVE PRODUCTION	PROFIT OIL PERCENTAGES	
	CORPORATION	CONTRACTOR
MMB FROM CONTRACT AREA COMMENCING 2005		
From 0 and up to 350	20	80
Above 350 and up to 750	35	65
Above 750 and up to 1000	45	55
Above 1000 and up to 1500	50	50
Above 1500 and up to 2000	60	40
Above 2000 and up to 2500	60	40

Where cumulative production exceeds 2500 MMB, the CORPORATION and the CONTRACTOR shall meet to agree on any changes to be made to their respective Profit Oil percentages.

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10.2 In addition to the CONTRACTOR's Profit Oil percentages stipulated in Article 10.1.6, the CONTRACTOR shall further be allocated from the CORPORATION's Profit Oil entitlement, in accordance with the mechanism described in the JEM:

- (i) a quantum of Profit Oil each month, equal to the net impact of the Royalty payable in that month pursuant to the DOA as specified in the JEM, such that the CONTRACTOR's Profit Oil entitlement shall be equivalent to its entitlement prior to the amendment of the DOA effective 4 November 2019 and the remainder of the Profit Oil following such further allocation to CONTRACTOR, shall be allocated to the CORPORATION; and
- (ii) a quantum of Profit Oil to be calculated in the month immediately following the remittance of a dividend, and in any event no later than the last working day of the first quarter in the year following such remittance, to compensate the CONTRACTOR (a) for the net impact of the verifiable Withholding Tax paid on dividends remitted by the CONTRACTOR Parties attributable to OML 118 during the preceding Contract Year; and (b) for the net impact of other payments made by the CONTRACTOR Parties during the preceding Contract Year pursuant to the Finance Act and attributable to OML 118.

10.3 The Parties shall calculate their Entitlement based on the parameters in the Joint Entitlement Model as at the Effective Date, which parameters shall remain fixed for the duration of this Contract.

10.4 Profit Oil allocated to CONTRACTOR pursuant to Article 10.2 shall be treated for all purposes related to taxation in the same manner as all Profit Oil hereunder and the Tax Returns submitted by CORPORATION pursuant to Article 8.1.8 shall reflect this principle.

10.5 Each Party shall take in kind, lift and dispose of its allocation of Available Crude Oil in accordance with the Lifting Procedure (Annex D).

10.6 Allocation of Royalty Oil and Tax Oil to the CORPORATION shall be applied towards the liabilities of the CONTRACTOR and the CORPORATION for Royalty, Concession Rentals, and Petroleum Profits Tax and the Proceeds therefrom shall be paid to the Government by the CORPORATION on behalf of both Parties.

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- 10.7 The CORPORATION shall take all steps necessary to ensure the CONTRACTOR's ability to lift its entitlement to Profit Oil pursuant to Articles 10.1 and 10.2, including by securing any authorisation or permit required for the implementation of such lifting.
- 10.8 Either Party may at the request of the other, lift the other Party's Available Crude Oil hereunder and the lifting Party within sixty (60) days shall transfer to the account of the non-lifting Party, the Proceeds of the sale to which the non-lifting Party is entitled. Overdue payments shall attract interest at the rate of two (2%) percent per annum in addition to the Agreed Rate.
- 10.9 The CONTRACTOR may purchase any portion of the CORPORATION's allocation of Available Crude Oil from the Contract Area under the CORPORATION's terms and conditions including valuation and pricing of the Crude Oil as applicable to third party buyers of the Corporation's Crude Oil.
- 10.10 The Parties shall meet on a monthly or at least on a quarterly basis to reconcile all Crude Oil produced, allocated and lifted during the period in accordance with Article III (7) of Annex D.

Article 11 - Change in Law

- 11.1 In the event that any enactment of or change in the Law occurs subsequent to the Effective Date including as a result of any review of production sharing contracts pursuant to Section 16A of the DOA (such enactment or change, herein, "Legislation") which adversely affects the economic benefits of the CONTRACTOR, the CORPORATION shall utilise its Profit Oil entitlement to satisfy the increased obligations resulting from such Legislation, such that the CONTRACTOR's Profit Oil entitlement shall remain the same as established under the Lifting Model, without such Legislation. The adjustment to the Fiscal Model pursuant to such Legislation shall be in accordance with Annex G.

Where the Profit Oil entitlement of the CORPORATION is insufficient to fully ensure satisfaction of CONTRACTOR's Profit Oil lifting entitlement under Article 10.2(i) or Article 11.1 and such insufficiency (i) persists for a period of two (2) years; or (ii) results in the amount owing to the CONTRACTOR exceeding one hundred million dollars (US\$100,000,000 based on a comparison between the Lifting Model and the amount

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actually received by the CONTRACTOR), whichever occurs first, CONTRACTOR shall provide written notice to CORPORATION of such insufficiency, then CORPORATION shall identify such alternative means of compensation as required to fully repay the amount owed to the CONTRACTOR within one (1) year. If such alternative means of compensation fails to fully compensate the CONTRACTOR within the period stated above, then the outstanding amount of such insufficiency shall be paid to the CONTRACTOR.

- 11.2 In the event such Legislation increases the Profit Oil available hereunder, the entire incremental volumes shall be allocated to the CORPORATION. For the avoidance of doubt, the benefit to the CORPORATION shall not result in a reduction of the Profit Oil allocated to CONTRACTOR pursuant to Article 10.1.6 and 10.2(i).

Article 12 Payments

- 12.1 The method of payment of any sum due from the CONTRACTOR to the CORPORATION and vice versa shall be in accordance with the prevailing guidelines of the Federal Ministry of Finance and the Central Bank of Nigeria and in accordance with the Accounting Procedure, Annex B.
- 12.2 Unless otherwise provided herein, any payment which the CORPORATION is required to make to the CONTRACTOR or which the CONTRACTOR is required to make to the CORPORATION pursuant to this Contract shall be made within thirty (30) days following the end of the month in which the obligation to make such payments occurs. Overdue payments shall attract interest at the rate of two percent (2%) per annum in addition to the Agreed Rate, which interest shall be treated as income to the recipient and taxed accordingly.
- 12.3 Each Party shall have the right of set off against the other Party for sums due and payable to the other Party under this Contract, except any amount pursuant to arbitral awards.

Article 13: Royalty and Taxes

- 13.1 Royalty and tax rates are as contained in the DOA, the PPTA, and other applicable fiscal laws and regulations.

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- 13.2 The CORPORATION shall pay to Government all Royalty, Concession Rentals and Petroleum Profits Tax that may be applicable according to Law, on behalf of itself and the CONTRACTOR out of Available Crude Oil allocated to it for such payments under Article 10.1.
- 13.2.1 The Realisable Price established in accordance with Article 9 of this Contract shall be used in determining the amount payable on Royalties and taxes in respect of Crude Oil produced and lifted pursuant to this Contract.
- 13.2.2 All costs related to Petroleum Operations in OML 118 only, which are validly incurred and allowable by Law shall be included in the preparation of the PPT filings.
- 13.2.3 The CORPORATION shall make available to the CONTRACTOR copies of receipts issued by the Federal Inland Revenue Service bearing the name of the Party for the payment made for Petroleum Profits Tax in accordance with each Party's Tax Oil allocation as provided in Annex B. Schedule B.1 the CORPORATION shall provide to the CONTRACTOR a copy of the payment advice within thirty (30) days of issuance.
- 13.2.4 The Investment Tax Allowance (ITA) shall be applicable to Crude Oil produced from the Contract Area and shall be in accordance with the PPTA, the DOA, and any law for the time being in force at the time of computation.
- 13.2.5 Capital Allowance accrued and not utilized under the 1993 PSC shall be carried forward in full until fully utilized.
- 13.2.6 Tax benefits accrued and not utilized under Investment Tax Credit under the 1993 PSC shall be preserved and carried forward in full until fully utilized.
- 13.2.7 The CONTRACTOR shall utilise the "Joint Entitlement Model" in preparing Parties' entitlement and PPT Returns which shall be filed by the Corporation on behalf of the Parties; the PPT returns shall be based on the PPTA and the prevailing fiscal Law.

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Article 14: Natural Gas

14.1 The ownership of all Associated Gas discovered within the Contract Area shall be vested in the CORPORATION, provided always that the economic interest of the CONTRACTOR as specified herein is preserved.

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14.2.1 The CONTRACTOR shall adopt all those measures which are necessary, appropriate and consistent with technology generally in use in the international petroleum industry to prevent loss or waste of Associated Gas. For the purpose of enhancing the recovery of Crude Oil, the CONTRACTOR shall give priority to the use of other Enhanced Oil Recovery mechanisms, if technically and economically justified.

14.2.2 Subject to Article 14.2.1, the CONTRACTOR shall have the right to use in the Petroleum Operations, Associated Gas produced from the Contract Area. CONTRACTOR may utilise at no cost, the requisite proportion of the produced Associated Gas required as fuel for production operations; gas recycling, gas injection, gas lift, or any other Crude Oil enhancing recovery schemes, stimulation of wells necessary for maximum Crude Oil recovery in the field discovered and developed by the CONTRACTOR and such usage shall be with the prior written consent of the CORPORATION, which consent shall not be unreasonably withheld.

14.2.3 Associated Gas surplus to the requirements of the CONTRACTOR as provided in Article 14.2.2 shall be disposed of in accordance with the provisions of this Article 14.

14.2.4 All expenditure incurred by the CONTRACTOR in connection with the production of the Associated Gas, shall be considered Operating Costs and shall be recovered by the CONTRACTOR in accordance with the provisions of this Contract.

14.2.5 The construction and operation of required facilities as well as the offtake of any Associated Gas shall occur in accordance with international petroleum industry

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standards and shall not interfere with the production, lifting and transportation of Crude Oil by the CONTRACTOR.

14.2.6 The Parties acknowledge and agree that arrangements for the offtake of Associated Gas commenced pursuant to the 1993 PSC shall continue hereunder to the extent required to ensure uninterrupted Petroleum Operations, provided that the provisions of Article 14.2.9 shall apply *mutatis mutandis* to the allocation of all proceeds derived from these arrangements.

14.2.7 The CORPORATION shall enter into a gas sales agreement (GSA) for the sale of all Associated Gas which is not subject to the arrangements referred to in Article 14.2.6 (herein, 'Surplus Associated Gas', equivalent to gas production above the gas quantity produced and exported from the Bonga FPSO) on behalf of itself and the CONTRACTOR, with an off-taker which meets criteria approved by the Parties.

14.2.8 The GSA which shall be administered by the CONTRACTOR as the Contract Administrator, shall include provisions for the direct distribution of proceeds derived thereunder ('Gas Proceeds') to the CONTRACTOR and the CORPORATION in accordance with the allocations specified in Article 14.2.9.

14.2.9 As provided pursuant to the JEM, and to the CONTRACTOR'S entitlement to, and economic interest of 15% in the Associated Gas net of Royalty and Tax, the proceeds received in respect of the sale of Gas pursuant to the GSA (herein, "Gas Proceeds") shall be distributed as follows:

- (a) CORPORATION shall be allocated proceeds equal to the Royalty payable on the sale of Gas.
- (b) CORPORATION shall be allocated proceeds equal to CIT and Education Tax payable on the sale of Gas.
- (c) Net Gas Proceeds shall be equal to the Gas Proceeds less the allocations specified in 14.2.9 (a) to 14.2.9 (b).
- (d) CORPORATION shall be allocated 85% of the Net Gas Proceeds.
- (e) CONTRACTOR shall be allocated 15% of Net Gas Proceeds.

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14.2.10 The CORPORATION shall be responsible for the payment of all Royalty and Taxes due on the sale of Associated Gas and shall indemnify the CONTRACTOR in respect of any tax liability arising as the result of the payment to the CONTRACTOR of CONTRACTOR' share of the Net Gas Proceeds.

14.3 Non-Associated Gas

14.3.1 In the event of a significant Non Associated Gas discovery, the CORPORATION shall, pursuant to Recital G and Article 8.2.6, require the CONTRACTOR to investigate and submit proposals, with terms, for the commercial development of the gas for the consideration of the CORPORATION. Any costs in respect of such proposals or investigations shall be included as Operating Costs.

14.3.2 The Parties in good faith shall negotiate the proposal with terms and if accepted by the CORPORATION or alternative terms are agreed by the Parties, the Parties shall execute an agreement for the development of Non-Associated Gas and the CONTRACTOR shall commence the development of the gas within a period of six (6) years (exclusive of any delays in approvals which exceed 3 months).

14.3.3 If the CONTRACTOR fails to commence development of the gas within the six (6) year period or the CONTRACTOR has declined, for any reason whatsoever, to participate in the development of the Non- Associated Gas, the CORPORATION shall develop the gas, in a manner that such development shall not interfere with or have any negative impact on CONTRACTOR's Petroleum Operations.

14.4 Flaring

In the course of activities provided for under this Contract, the flaring of Natural Gas, except for operational reasons in accordance with the design and operating parameters of the facilities, operational exigencies and the practice generally accepted in the international petroleum industry, shall not be allowed. Only gas flare charges incurred in the course of prudent Petroleum Operations as deemed necessary by the CONTRACTOR, shall qualify as Operating Costs.

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Article 15: Title to Equipment and Buildings

- 15.1 The CONTRACTOR shall finance the cost of purchasing all equipment to be used in Petroleum Operations pursuant to the Work Programme and such equipment shall become the property of the CORPORATION on arrival in Nigeria. Notwithstanding the provisions of Articles 11.4 and 11.5 of the 1993 PSC, the CONTRACTOR shall have the right to use all equipment purchased during the term of the 1993 PSC exclusively for Petroleum Operations in the Contract Area during the term of this Contract. Should the CORPORATION desire to use such equipment outside the Contract Area, such use shall be on terms and conditions to be agreed, in good faith, by the Parties, provided always that Petroleum Operations shall take precedence over any such proposed use by the CORPORATION. Subject to Annex E, Article I, Clause 1.3(b), the CONTRACTOR shall only lease equipment on terms providing for lease costs exceeding \$250,000 per annum, with the approval of the CORPORATION, such approval not to be unreasonably withheld if such lease is in the best interest of the Petroleum Operations.
- 15.2 The CONTRACTOR's right to use such purchased equipment shall cease with the termination or expiration (whichever is earlier) of this Contract.
- 15.3 The provisions of Article 15.1 with respect to the title of property passing to the CORPORATION shall not apply to leased equipment belonging to local or foreign third parties, and such equipment may be freely exported from Nigeria in accordance with the terms of the applicable lease.
- 15.4 All lands, buildings and fixed assets purchased or otherwise acquired by the CONTRACTOR for the purposes of Petroleum Operations and all movable property utilized in the Contract Area and incorporated permanently in any premises, location and structures for the purpose of Petroleum Operations hereunder or under the 1993 PSC shall be in the joint names of the CONTRACTOR and CORPORATION; provided that upon full recovery of the costs of such property, the CONTRACTOR shall no later than one (1) year following full recovery, conclude the transfer of full title of such property to the CORPORATION, subject always to the provisions of Article 15.6. The CORPORATION shall indemnify the CONTRACTOR against any loss of Capital

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Allowance due to the CONTRACTOR as a result of such transfer. Any taxes or duties including but not limited to capital gains tax and stamp duties arising as a result of the transfer of title as herein specified, shall be for the sole account of the CORPORATION and the CORPORATION shall defend, indemnify and hold CONTRACTOR harmless in respect of any such taxes and duties.

- 15.5 Upon expiry or termination of this Contract, the CORPORATION shall take full possession of all fixed assets purchased or otherwise acquired by the CONTRACTOR for the purposes of Petroleum Operations hereunder.
- 15.6 During the term of this Contract, the CONTRACTOR shall subject to Article 15.1, be entitled to full use of all fixed and movable assets acquired for use in Petroleum Operations including those assets acquired during the term of the 1993 PSC without charge and any use of such property by the CORPORATION shall be by mutual agreement of the Parties.
- 15.7 During the term of this Contract, any sale of equipment, land, fixed assets, materials and machinery acquired for the purpose of the Petroleum Operations hereunder shall be with the prior approval of the CORPORATION, provided that such sale shall not include land and buildings for which title has been fully transferred to the CORPORATION. Such sale shall be conducted by the CONTRACTOR on the basis of the highest price obtainable and the proceeds of such sale shall be credited to Petroleum Operations.
- 15.8 Office Buildings
CONTRACTOR has applied to the CORPORATION for approval to acquire or build office accommodation. No later than five (5) years from the date of receipt of CORPORATION'S approval, CONTRACTOR shall procure that the Operator acquire or build office accommodations for use in relation to conduct of Petroleum Operations hereunder. The approved cost of constructing, purchasing, maintaining and operating such office shall be recovered by the CONTRACTOR in accordance with the provisions of Annex B. Following the five (5) year period herein stipulated, rents paid for office buildings used by the CONTRACTOR shall not be recoverable under this Contract except where such rent is expressly approved in writing by the CORPORATION.

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Article 16: Insurance

- 16.1 All property acquired under the provisions of this Contract shall be adequately insured with an insurance company of good repute by the CONTRACTOR in consultation with the CORPORATION, in the names of the Parties. The premium for such policies shall be included in Operating Costs. All policies shall name the CORPORATION as a co-insured with a waiver of subrogation rights in favour of the CORPORATION.
- 16.2 In case of loss or damage to property, indemnifications paid by the insurance companies shall be entirely received by the CONTRACTOR for Petroleum Operations. The CONTRACTOR shall determine whether the lost or damaged property should be repaired, replaced or abandoned. If the decision is to repair or replace, the CONTRACTOR shall replace or repair such lost or damaged property. Any excess cost of repair or replacement above the amount reimbursed by the insurance companies shall be considered Operating Costs. If the decision is to neither repair nor replace, then the proceeds of any coverage shall be credited to Petroleum Operations. In the event that the loss or damage is attributable to the CONTRACTOR's Wilful Misconduct the cost of replacement or repair shall not be recoverable as Operating Costs.
- 16.3 The CONTRACTOR shall take out and maintain an insurance policy covering any and all damages caused to third parties as a direct or indirect result of Petroleum Operations.
- 16.4 All insurance policies under this Article 16 shall be based on good international petroleum industry practice, and shall be taken out in the Nigerian insurance market except for those concerning risks for which the CONTRACTOR cannot obtain coverage in Nigeria which shall be taken out abroad, to the extent permitted by law.
- 16.5 In entering into contracts with any sub-contractor for the performance of Petroleum Operations, the CONTRACTOR shall require such sub-contractor to take out adequate insurance in accordance with Articles 16.1 and 16.3 above and to properly indemnify the CORPORATION and the CONTRACTOR for any damage done and to properly indemnify and hold the CORPORATION and the CONTRACTOR harmless against claims from third parties.

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- 16.6 The CONTRACTOR shall maintain other insurance policies required under Nigerian law.

Article 17: Environmental Management

- 17.1 During the performance of the Petroleum Operations, the CONTRACTOR shall take necessary measures to ensure it and its subcontractors attend to the protection of the environment and prevention of pollution, in accordance with standard practice in the international petroleum industry and any applicable Nigerian law. In its conduct of Petroleum Operations, the CONTRACTOR shall maintain at all times an environmental management system to remediate the environment.
- 17.2 Following the Decommissioning of any portion of the Contract Area, the CONTRACTOR shall take reasonable measures to clean the area that is decommissioned in accordance with standard practice in the international petroleum industry. Such measures shall include, among others, the removal of facilities, material and equipment together with reasonable measures for the preservation of fauna, flora and eco systems, all in accordance with generally accepted practice in the international petroleum industry. The CONTRACTOR shall only be responsible for site restoration or environmental damage to the extent the same pertains solely and directly to Petroleum Operations pursuant to this Contract.
- 17.3 The CONTRACTOR shall take reasonable precautions and measures to prevent any pollution which may arise directly as a result of the Petroleum Operations and to protect the environment, water sources and any other natural resources when carrying out Petroleum Operations.
- 17.4 The CONTRACTOR shall respect the preservation of property, agricultural areas and fisheries when carrying out Petroleum Operations

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Article 18: Decommissioning and Abandonment

- 18.1 The CONTRACTOR shall be responsible for Decommissioning and Abandonment and shall develop a plan (including estimated costs) for same on a field by field basis to be approved by the Management Committee for endorsement by the Regulator. Such Decommissioning and Abandonment plan (including estimated costs) shall be submitted within five (5) years from the Effective Date for already producing fields and within five (5) years from the date of first oil of new fields, to the Management Committee for approval.
- 18.2 No later than nine (9) Months following the approval of the Decommissioning and Abandonment plan (including estimated costs), the Parties shall jointly establish a fund in U.S. Dollars, to provide for end of field life abandonment, to be held in an interest-bearing escrow account at a commercial bank with a long-term rating of not less than "AA" by Standard and Poor's Corporation or "Aa2" by Moody's Investor Agency or a comparable rating by another mutually agreed rating service ("Abandonment Fund").
- 18.3 The rate at which the Abandonment Fund shall be funded by CONTRACTOR is to be proposed by the CONTRACTOR and approved by the Management Committee and shall take into account the relationship between the estimated timing of Abandonment, the total estimated Decommissioning and Abandonment costs, and the anticipated production revenues. The funding schedule shall be reviewed on an annual basis as part of the budgeting process, and such review shall take into account, amounts being spent on Decommissioning prior to Abandonment. All amounts paid into the Abandonment Fund shall be treated as Operating Costs. The CONTRACTOR shall submit to the CORPORATION an annual report on the status of the Abandonment Fund.
- 18.4 Decommissioning prior to end of field life abandonment shall be included in and funded from the annual approved Work Programmes and Budgets.
- 18.5 The Abandonment Fund including accrued interest shall be used solely for the purposes of paying for Abandonment operations. No Party shall mortgage, pledge, encumber or otherwise use the Abandonment fund for any other purpose.

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- 18.6 No later than five (5) years before the CONTRACTOR's anticipated termination of a field production or abandonment/discontinuance of oil and gas facilities used in Petroleum Operations in the Contract Area, the CONTRACTOR shall submit to the CORPORATION for the Regulator's approval, a proposed Abandonment execution programme ("Abandonment Programme") covering all such installations, wells and pipelines provided by the CONTRACTOR under this Contract, which shall comply with sound and current international Petroleum industry practices.
- 18.7 Subject to the Regulator's approval and applicable laws, at the end of the field life or the earlier relinquishment of some or all of the Contract Area, the CONTRACTOR shall carry out the Abandonment Programme approved by the Regulator pursuant to Article 18.6 for all installations and pipelines in the Contract Area. Upon completion of Abandonment in accordance with the Abandonment Programme and the issuance of a Decommissioning Certificate by the Regulator, CONTRACTOR shall have no further liability for Abandonment.
- 18.8 Upon the expiration of this Contract, in the event that CONTRACTOR fails to Abandon in accordance with the Abandonment Programme approved by the Regulator, the CONTRACTOR shall provide all requisite support to allow the CORPORATION access funds from the Abandonment Fund and use same to conduct the Decommissioning and Abandonment of the Contract Area. In the event that CORPORATION conducts the Decommissioning and Abandonment of the Contract Area pursuant to this Article 18, CONTRACTOR shall be fully discharged from its Decommissioning and Abandonment Obligations under this Contract.
- 18.9 If upon termination or expiration of the Contract, the CORPORATION elects to retain any or all of the assets utilised hereunder ("Elected Assets"), then (i) the CORPORATION shall be fully responsible for the Abandonment of such assets and (ii) any portion of the Abandonment Fund which relates to contributions made for the Abandonment of the Elected Assets shall be transferred to CORPORATION. CONTRACTOR shall thereafter be released and discharged from all responsibilities and liabilities for Abandonment and Decommissioning under this Contract and shall have no further Abandonment responsibility or liability whatsoever.
- 18.10 The execution of the approved Abandonment Programme shall be funded from monies paid into the Abandonment Fund. If the amount in the Abandonment Fund is insufficient

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to complete the approved Abandonment Programme, CONTRACTOR shall pay the difference, and any amounts so paid shall be considered Operating Costs.

- 18.11 Upon determination of the Contract, where the CONTRACTOR fulfils all obligations in respect of Abandonment and Decommissioning to the satisfaction of the Regulator based on the approved Abandonment Programme and has been issued a Decommissioning Certificate, all remaining funds in the escrow account shall be treated as income incidental to Petroleum Operations and taxed accordingly prior to allocation in accordance with the Profit Oil entitlement.

Article 19: Books of Accounts, Audit Rights and Overhead Charges

- 19.1 The CONTRACTOR shall be responsible for keeping complete books of accounts consistent with modern petroleum industry and accounting practices and procedures. The statutory books and accounts of this Contract shall be kept in Naira and U.S. Dollars. All other books of accounts as the CONTRACTOR may consider necessary shall be kept in columnar form in both Naira and U.S. Dollars. Officials of the CORPORATION shall have access to such books and accounts.
- 19.2 All statutory books of account shall be kept at the registered address of the Operator in Nigeria.
- 19.3 The CORPORATION shall have the right to inspect and audit the accounting records relating to this Contract for any Calendar Year by giving thirty (30) days written notice to the Operator and the Operator shall facilitate the work of such inspection and auditing; provided however that such inspection and auditing shall be carried out once only within two (2) Calendar Years effective from the date of the Management Committee's approval of the costs for the Calendar Year in question, failing which, unless in the event of fraud or manifest error, the books and accounts relating to such Calendar Year shall be deemed to be accepted by the CORPORATION as satisfactory. Any exception must be made in writing within ninety (90) days following the end of such audit and failure to give such written notice within such time shall establish the correctness of the books and accounts, excluding any fraudulent or unlawful transactions.

- 19.4 The CORPORATION may undertake the inspection and audit referred to in Article 19.3 either through its own personnel or through a qualified firm of chartered accountants registered in Nigeria appointed for the purpose by the CORPORATION; provided, however, that the transportation and per diem costs of the CORPORATION personnel shall be borne by the Operator as general administrative costs and shall be included in Operating Costs. The CORPORATION shall bear the costs of the qualified firm of chartered accountants.
- 19.5 Should there be a difference or dispute between the Parties concerning the outcome of the audit as provided in Article 19.3, such that the dispute cannot be resolved by mutual consent, then either Party may refer the matter to the Management Committee for resolution as provided under Articles 7.2.6 of this Contract. Where the Parties fail to agree ninety (90) days after the Management Committee meeting in which the proposed reconciliation failed to be resolved, the provisions of Article 19.6 of this Contract shall apply.
- 19.6 The Parties shall jointly appoint a mutually acceptable independent auditor to conduct a cost audit for the relevant Calendar Year(s). The auditor's decision shall be final and binding on the Parties except in the case of fraud or manifest error.
- 19.7 Notwithstanding that the said period of two (2) Calendar Years may have expired, if the CONTRACTOR is liable for Wilful Misconduct under this Contract, the CORPORATION shall have the right to conduct a further audit to the extent required to investigate such Wilful Misconduct in respect of any earlier periods; provided, however, that the costs of such investigations shall be charged to Operating Costs.
- 19.8 The CONTRACTOR shall include the following percentages on total annual Capital Cost as overhead charges in calculating total Operating Costs:

First \$200 million	1% of Capital Cost
Next \$200 million	0.75% of Capital Cost
Next \$100 million	0.50% of Capital Cost
Above \$500 million	0%

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19.9 The CORPORATION's audit rights shall survive the termination or expiration of this Contract for a period of 3 (three) years.

19.10 Materials

The CONTRACTOR shall cause the Operator to maintain physical and accounting controls of materials in stock in accordance with general practice in the international petroleum industry and cause the Operator to carry out total audit of such materials in stock at least once in a Calendar Year, providing the CORPORATION a four (4) week written notice prior to such inventory. The CORPORATION and its external auditors shall be entitled to participate in the audit of such inventory.

The CORPORATION may however carry out partial or total checks of such inventories at its own expense whenever it considers this necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.

Article 20: Employment and Training of Personnel

20.1 Each Calendar Year, the CONTRACTOR shall submit a detailed programme for recruitment and training for the following Calendar Year in respect of the Nigerian personnel of CONTRACTOR in accordance with the Petroleum Act and the (NOGICD Act as well as a detailed account of the attainment of the percentages of Nigerian employees specified in Article 20.2 (b).

20.2 Qualified Nigerians shall be employed in all non-specialised positions.

(a) Qualified Nigerians shall also be employed in specialized positions such as those in exploration, drilling, engineering, production, environmental, safety, finance etc. The CONTRACTOR shall have the right, subject to applicable laws, rules and regulations, to employ non-Nigerians in such specialized positions where qualified Nigerians are not available provided that the CONTRACTOR shall recruit and train Nigerians for such specialized positions, in accordance with applicable laws.

(b) The CONTRACTOR shall ensure that from the Effective Date the number of Nigerian citizens employed by the CONTRACTOR in connection with the Petroleum

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Operations in managerial, supervisory and other professional positions shall be in accordance with applicable Law.

- (c) Pursuant to Article 8.2.2, competent professionals of the CORPORATION shall be assigned to work with the Operator and such personnel and the Operator's personnel shall not be treated differently with regard to salaries and other benefits. The Operator and the CORPORATION shall mutually agree on the number of the CORPORATION's staff to be assigned to the Petroleum Operations. The costs and expenses of such CORPORATION personnel shall be included in Operating Costs.

- (d) CONTRACTOR shall procure that Operator provide CORPORATION with the organisation chart of the Operator which shall include Nigerian and non-Nigerian staff in key positions.

- 20.3 The CONTRACTOR shall cause the Operator to train on an annual basis, an agreed number of the CORPORATION's personnel in all facets of Petroleum Operations and the cost of such training shall be included as Operating Costs.

Article 21: Nigerian Content

- 21.1 CONTRACTOR undertakes to comply with the provisions of the NOGICD Act in the performance of its Petroleum Operations.
- 21.2 CONTRACTOR shall give preference to goods, which are available in Nigeria, or services that can be rendered by Nigerian nationals, provided they meet the specifications and the standards of the goods and services, as agreed by the CORPORATION.
- 21.3 In evidence of its compliance, the CONTRACTOR undertakes to provide the CORPORATION with all data and documentation as agreed with and approved by the Nigerian Content Development and Monitoring Board (or other relevant agency).

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- 21.4 CONTRACTOR shall indemnify and hold the CORPORATION harmless for CONTRACTOR's failure, refusal, or neglect to comply with approved local content requirements; provided that where CONTRACTOR has complied with any Content Development Initiative (CDI) as approved by NCDMB it shall not be considered to have failed to comply with the NOGICD Act and shall have no liability to indemnify or hold the CORPORATION harmless with respect to any non-compliance with the NOGICD Act in such circumstances.

Article 22: Representations, Warranties and Indemnities

- 22.1 In consideration of the CORPORATION entering into this Contract, the CONTRACTOR warrants as follows:
- a) the CONTRACTOR has the power to enter into and perform this Contract and has taken all necessary action to execute, deliver and perform the Contract in accordance with the terms herein contained.
 - b) the CONTRACTOR has the technical competence and professional skills necessary to conduct Petroleum Operations and has the funds, both local and foreign, for carrying on the said operations;
 - c) the execution and delivery of this Contract by the CONTRACTOR shall not to the best of the CONTRACTOR's knowledge, contravene in any respect, any of the provisions of:
 - ... any applicable law or regulations or order of any governmental authority, agency or court applicable to or by which the CONTRACTOR is bound as at the Effective Date;
 - ... any applicable mortgage, contract or other undertaking or instrument to which the CONTRACTOR is a party or which is binding upon it or any of its respective revenues or assets.
 - d) that full disclosure has been made to the CORPORATION prior to the Effective Date of all facts in relation to the CONTRACTOR and its financial condition and affairs as is material.

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With the exception of the warranty contained in Article 22.1.c(i), the representations and warranties set out above shall remain for the duration of this Contract.

22.2 The CONTRACTOR shall indemnify and hold the CORPORATION harmless (and such obligations shall continue for five (5) years following the termination of this Contract) against all losses, damages, injuries, expenses, actions of whatever kind and nature including but not limited to legal fees and expenses arising from or associated with any of the following as long as they are attributable to the Wilful Misconduct of the CONTRACTOR in the conduct of Petroleum Operations including but not limited to:

- (a) Any injury to any third party or damage to any third party property arising from its conduct of Petroleum Operations except where such losses are shown to result from any action or failure to act on the part of the CORPORATION;
- (b) Any personal injury to the officers, employees or agents of the CONTRACTOR or subcontractors; and
- (c) Any violation of any patent, licence, registered trademark or other protected rights used by the CONTRACTOR with regard to or for the execution of Petroleum Operations;

provided however, that under no circumstances shall the CONTRACTOR be liable to the CORPORATION for reservoir damage or reservoir pollution or any Consequential Loss hereunder.

22.3 Foreign Enforcement Indemnity

22.3.1 The following definitions shall apply in this Articles 22.3:

"Activity" means arbitration award enforcement proceedings or foreign judgement enforcement proceedings in respect of disputes between the CORPORATION and the CONTRACTOR that have been referred to arbitration pursuant to the terms of this Contract, instituted by the CONTRACTOR against any Indemnatee in the United Kingdom, the United States of America and other overseas jurisdictions as this Contract may permit, under the New York Convention, State Immunity Act 1978, Civil Jurisdiction and Judgement Act 1982 in the United Kingdom, other similar provisions or rules applicable in any other State or country than Nigeria;

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"Expenses" means all reasonable and verifiable costs incurred by Indemnitees in the defense of the Activity, arising from a breach by the Indemnifier of this Article 22.3, including attorneys' fees;

"Indemnitees" means the Federal Government of Nigeria ("FGN"), parastatals and departments of the FGN, and FGN corporations which are established by acts of the National Assembly as separate legal entities of the Government of Nigeria with the exception of the CORPORATION (or any successor entity to NNPC) who shall not be considered an Indemnatee hereunder and in respect of whom no indemnity shall be provided.

- 22.3.2 Subject to the terms and provisions of this Section 22.3, the Parties have agreed that an indemnity is required from CONTRACTOR (referred to as the "Indemnifier" within the context of this 'Foreign Enforcement Indemnity' provision) for the benefit of the Indemnitees.
- 22.3.3 The CORPORATION hereby agrees to satisfy all arbitral awards made against the CORPORATION by an arbitral tribunal constituted pursuant to Article 27, including by way of an adjustment to the allocation of its Profit Oil entitlement (the "Primary Compensation Source").
- 22.3.4 Subject always to the other provisions of this Article 22.3, the Indemnifier has agreed not to engage in the Activity and the Indemnifier shall hold harmless and indemnify the Indemnitees against any and all claims and actions arising from the Activity; including, without limitation, Expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any liability, suit, action, loss, or damage arising or resulting from the Indemnitees' participation in the Activity (herein, the 'Indemnity'). Where prohibited by Law, the above indemnification shall not include indemnification of the Indemnatee against a claim caused by the negligence or fault of the Indemnitees, their agents or employees, or any other third party under the control or supervision of the Indemnitees, other than the Indemnifier or its agents, employees or subcontractors.
- 22.3.5 In the event of any claim or action in connection with any Activity, the Indemnitees shall promptly provide the Indemnifier with written notice of the claim or action and the Indemnifier (i) undertakes irrevocably to, within a

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reasonable time, make appropriate disclosures in the Activity to the extent that the Indemnitees are immune from the Activity; and (ii) agrees that it shall be the duty of the Indemnifier to assert in the Activity any immunity of the Indemnitees from proceedings in respect of the Activity.

22.3.6 Where the Indemnifier fails, to comply with its responsibilities under Article 22.3.5, the Expenses incurred by the Indemnitees in defence of the Activity shall be for the account of the Indemnifier. For the limited purpose of asserting the Indemnity, the Indemnitees shall have the right to assert and claim the application of the relevant provisions of this Contract.

22.3.7 The Indemnity shall not apply and shall be voided in the following circumstances:

- (i) where CORPORATION fails to comply fully with any arbitral award as specified in Article 22.3.3 using the Primary Compensation Source or other such alternative source as the CORPORATION may determine in its sole discretion;
- (ii) where an Indemnatee or any successor-in-title to the CORPORATION or has acquired or is in custody of assets that belong to the CORPORATION and such entity does not assume responsibility for all obligations of CORPORATION pursuant to this Contract;
- (iii) where the CORPORATION fails to propose a reasonable payment plan for consideration by the CONTRACTOR in accordance with its obligations pursuant to Article 22.3.3 or takes any action, to prevent or delay the enforcement of an arbitral award granted in favour of the CONTRACTOR
- (iv) where any Indemnatee takes any action, to prevent or delay the enforcement of an arbitral award granted in favour of the CONTRACTOR unless the Indemnatee is asserting a claim which is not contested by the CONTRACTOR; or
- (v) In respect of any rights arising under any investment treaty

22.3.8 The Indemnity shall last for the duration of the Contract and shall not be waived, varied, or cancelled by the Indemnifier or any of its successors-in-title

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without the prior written consent of a representative of the FGN provided with the appropriate authority.

Article 23: Force Majeure

- 23.1 Any failure or delay on the part of any Party in the performance of its obligations or duties under this Contract shall be excused to the extent attributable to force majeure. A force majeure situation includes delays, defaults or inability to perform under this Contract due to any event beyond the reasonable control of any Party. Such event may be, but is not limited to, any act, happening, or occurrence due to natural causes; and acts or perils of navigation, fire, hostilities, war (declared or undeclared), blockage, labour disturbances, strikes, riots, insurrection, cyberattacks, civil commotion, quarantine restrictions, epidemics, storms, floods, earthquakes, accidents, blowouts, lightning, and, acts or orders of Government. The CONTRACTOR's failure or inability to find Crude Oil in Commercial Quantity for reasons other than those specified in this Article 23.1 hereof shall not be deemed force majeure.
- 23.2 If Petroleum Operations are delayed, curtailed or prevented by force majeure, then the time for carrying out the obligation and duties thereby affected, and the rights and obligations hereunder, shall be extended for a period equal to the period of such delay.
- 23.3 The Party who is unable to perform its obligations as a result of the force majeure shall promptly notify the other Party thereof not later than forty-eight (48) hours after the establishment of the commencement of the force majeure, stating the cause, and the Parties shall do all that is reasonably within their powers to remove such cause. At the cessation of the force majeure situation the Party who declared the force majeure, shall promptly notify the other Party and shall resume performance of its obligations under this Contract as soon as practicable after the force majeure no longer exists.
- 23.4 From time to time thereafter, the Party affected by the force majeure shall give further notice of the manner in which and the extent to which the performance of its obligations is affected.

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- 23.5 The Parties in good faith consultation with each other shall use reasonable efforts to mitigate the effects of any force majeure Event, including the payment of reasonable sums based on the likely efficacy of such measures.
- 23.6 An event shall not be considered force majeure if the notice in Article 23.3 is not given.
- 23.7 Where a condition of force majeure continues for a period of 36 consecutive months either Party at its option may terminate this Contract.

Article 24: Assignment and Novation

- 24.1 Each CONTRACTOR PARTY shall have the right to dispose of, assign, Transfer, convey or otherwise dispose of any part or all of its rights and interests under this Contract to other parties with the prior written consent of the CORPORATION which consent shall not be unreasonably withheld.
- 24.2 If the written consent of the CORPORATION is granted, in respect of assignment to a non-affiliate of the Contractor Party, the Contractor Party shall be relieved of its liability to the extent of the Transfer of its rights and obligations under this Contract. Where the consent of the CORPORATION is granted for assignment to an Affiliate of the Contractor Party, the Contractor Party shall continue to be jointly liable with assignee for the performance of the obligations under this Contract.
- 24.3 Any request for consent to Transfer or dispose as aforesaid, made by a Contractor Party to the CORPORATION, shall include the proposed deed of assignment or novation and other relevant information relating to financial, technical and corporate standing of the assignee or transferee, and its capability to contribute to the Petroleum Operations under this Contract.
- 24.4 Any transfer or assignment by CORPORATION of its rights and interests under this Contract shall be accompanied by a corresponding transfer of the obligations of the CORPORATION under any agreements related to this Contract pursuant to which the CORPORATION has committed its interests hereunder whether with respect to Profit Oil allocation or otherwise, to the CONTRACTOR.

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Article 25: Termination

25.1 Termination by the CORPORATION

Subject to the provisions of Article 25.3, The CORPORATION shall be entitled to terminate this Contract with the CONTRACTOR if any of the following events occur:

- a. the CONTRACTOR has committed a material breach in the performance of its obligations set forth in Article 8.1;
- b. all CONTRACTOR entities are adjudged insolvent or bankrupt by any court of competent jurisdiction;
- c. all CONTRACTOR Parties assign the Contract without the prior written approval of the CORPORATION; or
- d. the warranties and undertakings made by the CONTRACTOR under Articles 22.1 are found to be misrepresentations.

25.1 Termination for any of the events specified in Article 25.1, (b) and (c) shall be effective by CORPORATION giving to CONTRACTOR, not less than 90 days written notice of termination of the Contract.

25.2 If the cause for termination is an event specified in Articles 25.1(a) or (d) this Contract may be terminated where the CORPORATION gives ninety days prior written notice to the CONTRACTOR to remedy such default and the CONTRACTOR fails to remedy such breach within six (6) months from date of original notice or such additional period as may be agreed by the Parties in the circumstances ("Cure Period"). If upon the expiration of the Cure Period, such default has not been remedied or removed, the CORPORATION shall be entitled to terminate the Contract, by issuing a notice to that effect, provided always that in the event that the CONTRACTOR has referred the question as to whether there has been a material breach or the manner in which such should be remedied to arbitration pursuant to Article 27, the CORPORATION shall not be entitled to exercise its right to terminate until a final binding award has been made in respect of such arbitration. The Parties commit to use all reasonable endeavors to pursue

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any arbitration arising therefrom acting in good faith and in an expedited manner, within twelve (12) months from appointment of the arbitration panel. In the event the time indicated by the Parties is exceeded due to circumstances beyond their good faith efforts the arbitration shall not be invalidated.

- 25.3 Termination shall be without prejudice to any rights and obligations of the Parties arising out of or in connection with this Contract that may have vested, matured, or accrued before such termination.
- 25.4 Without prejudice to all other rights of the CORPORATION herein contained, the CONTRACTOR shall upon the termination of this Contract permit inspection, copying and auditing of its accounts and records in respect of the Petroleum Operations.
- 25.5 Termination by CONTRACTOR
Upon ninety (90) days' notice, the CONTRACTOR shall have the right, at its sole discretion to relinquish its rights and to terminate this Contract without further obligations or liabilities, provided it has satisfied its obligations pursuant to the Work Programme for the then current Contract Year.
- 25.6 Termination by Effluxion of Time
Subject to a renewal of this Contract as provided in Article 5.3 this Contract shall be terminated at the end of the Contract term provided in Article 5.1,

Article 26: Governing Law and Language

- 26.1 This Contract shall be governed by and construed in accordance with the Laws of the Federation of Nigeria, and any dispute arising therefrom shall be determined in accordance with such Laws.
- 26.2 All affairs related to this Contract shall be conducted in the English Language.

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Article 27: Dispute Resolution

- 27.1 In the event that a dispute, conflict or claim arises between the CORPORATION and the CONTRACTOR concerning the interpretation or performance of this Contract (except disputes relating to the methodology for valuation of Available Crude Oil as stated in Article 9.1), and the Parties fail to amicably settle such difference or dispute within One Hundred and Twenty (120) days after its occurrence, the dispute shall be referred to and finally determined by arbitration and either Party may serve on the other a demand for arbitration in accordance with the provisions of the Arbitration and Conciliation Act Cap. A18, Laws of the Federation of Nigeria 2004 and the Rules made pursuant thereto.
- 27.2 Within thirty (30) days of such demand being served, each Party shall appoint an arbitrator and the two (2) arbitrators thus appointed shall within a further thirty (30) days appoint a third arbitrator. If the arbitrators do not agree on the appointment of such third arbitrator, or if either Party fails to appoint the arbitrator to be appointed by it, such arbitrator or third arbitrator shall be appointed by the President of the Court of Arbitration of the International Chamber of Commerce (ICC) in Paris on the application of the other Party (notice of the intention to apply having duly been given in writing by the applicant party to the other party) and when appointed the third arbitrator shall convene meeting and act as chairman thereat. If an arbitrator fails or is unable to act, a successor shall be appointed by the respective party or by the arbitrators in the event the chairman must be succeeded.
- 27.3 The place of the arbitration shall be Nigeria and the language of the arbitration shall be the English Language. The arbitral award shall be final and binding upon the Parties, subject to the provisions of the Arbitration and Conciliation Act Cap. A18, Laws of the Federation of Nigeria 2004 and the Rules made pursuant thereto. Each Party shall pay its own attorney's fees and all its costs associated with the arbitration.
- 27.4 Should there be a difference or dispute between the Parties concerning the methodology for valuation of Available Crude Oil as stated in Article 9.1 such that the dispute cannot be resolved by mutual consent, then either Party may refer the matter to an independent expert, who shall be an expert in the area of dispute. For any decision referred to an independent expert, the Parties agree that such decision shall be conducted

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expeditiously by such expert selected unanimously by the Parties to the dispute. The expert is not an arbitrator of the dispute and shall not be deemed to be acting in an arbitral capacity. The Party desiring the expert determination shall give the other Party to the dispute written notice of the request for such determination. If the Parties are unable to agree upon an expert within ten (10) days then any Party may request that the expert be appointed by the International Centre for Expertise of the International Chamber of Commerce (ICC) and shall administer such expert determination through the ICC's Rules for Expertise. The expert, once appointed, shall have no ex-parte communications with any of the Parties to the dispute. All Parties agree to cooperate fully in the expeditious conduct of such expert determination and to provide the expert with access to make a fully informed decision in an expeditious manner. Before issuing his final decision, the expert shall issue a draft report and allow the Parties to the dispute to comment upon it. The expert shall endeavour to resolve the dispute within thirty (30) days (but no later than sixty (60) days) after his appointment taking into account the circumstances requiring an expeditious resolution of the matter in dispute. The expert's decision shall be final and binding on the Parties unless challenged in an arbitration pursuant to this Article 27 within sixty (60) days of the date the expert's decision is received by the Parties to the dispute and until replaced by such subsequent arbitral award. In such arbitration (i) the expert determination on the specific matter shall be entitled to a rebuttable presumption of correctness; and (ii) the expert shall not (without the written consent of the Parties to the dispute) be appointed to act as an arbitrator or as an adviser to the Parties to the dispute.

- 27.5 Where an independent expert is appointed, the Parties shall furnish the expert with all written information, which he may reasonably require for his opinion. The cost of the services of the expert, if appointed, shall be shared equally between the CORPORATION and the CONTRACTOR.

Article 28: Confidentiality and Announcements

- 28.1 Except as otherwise provided in this Article 28, the CONTRACTOR shall keep confidential and shall not, except with the written consent of the CORPORATION, disclose any information relating to Petroleum Operations acquired by it from, through or under the CORPORATION, its subsidiary companies or associates, either directly or indirectly, or in oral or written form, to any third party.

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- 28.2 Such information shall include all documents, data, programmes, records, pictures, drawings, maps, sketches, writings, correspondences, electronically transmitted information, or other information; and shall not be used for any purpose other than the work and services required for the performance of the Contract.
- 28.3 The CONTRACTOR shall ensure the observance of this provision by its employees, personnel, representatives, agents and assigns and the permitted recipients specified in Article 28.4 (a) and shall ensure that terms similar to those contained in this Article 28 are binding on each of them respectively.
- 28.4 The obligations of the CONTRACTOR under Article 28.1 shall not apply to disclosure:
- ... to: (i) institutions participating in the financing of the Contract; (ii) CONTRACTOR's Affiliates, consultants and subcontractors; (iii) auditors; and (iv) prospective assignees, provided that the recipients specified in (i), (ii) (iii) and (iv) have agreed to be bound by the confidentiality undertakings no less stringent than the terms specified herein;
 - ... in compliance with an order of Court or stock exchange provided that the disclosing Party notifies the other Party of the details of the information required so that an appropriate protective order and/or other action can be taken by the other party if possible;
 - c) of information which: (i) now or hereafter enters the public domain through no fault of the CONTRACTOR; (ii) can be proven to have been possessed by the CONTRACTOR at the time of disclosure and which was not previously obtained, directly or indirectly, from CORPORATION; or (iii) otherwise lawfully becomes available to the CONTRACTOR from a third party that has no obligation of confidentiality.
- 28.5 The provisions of this Article 28 shall terminate five (5) Years after the expiration of this Contract.
- 28.6 The CONTRACTOR shall submit to the CORPORATION all statutory reports and information for submission to Government and other statutory bodies.

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Article 29: Entire Agreement/Survival

- 29.1 This Contract, the DSA and the HGA collectively contain the entire agreement of the Parties with respect to the subject matter and shall not be amended or modified in any respect except by mutual consent, in writing, of the Parties.
- 29.2 The rights and obligations of the Parties specified in Annex I, which accrued under the 1993 PSC prior to its renewal shall be preserved under this Contract such that they shall be enforceable pursuant to the terms and conditions of this Contract.
- 29.3 The Parties hereby agree that this Contract shall not govern any OMLs outside the Contract Area.

Article 30: Anti-Bribery and Corruption

- 30.1 Each Party with regard to operations and/or activities under this Contract (i) warrants that such Party and its Affiliates and their respective directors, officers, employees and personnel have not made, offered, or authorized, and (ii) covenants that such Party and its Affiliates and their respective directors, officers, employees, and personnel will not make, offer, or authorize, any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any Public Official or any other individual or entity, where such payment, gift, promise or advantage would violate the Anti-Bribery Laws and Obligations. In addition, each Party with regard to operations and/or activities under this Contract (i) warrants that such Party and its Affiliates and their respective directors, officers, employees and personnel have complied with, and (ii) covenants that such Party and its Affiliates and their respective directors, officers, employees, and personnel will comply with the Anti-Bribery Laws and Obligations.

Article 31: Notices

- 31.1 Any notice required to be given by each Party to the other Parties shall be in writing and shall be deemed to have been duly given and received if sent by registered post to, or hand delivered at the following registered offices:

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THE CORPORATION:

THE GROUP MANAGING DIRECTOR

NIGERIAN NATIONAL PETROLEUM CORPORATION NNPC TOWERS
HERBERT MACAULAY WAY, CENTRAL BUSINESS DISTRICT, ABUJA.

THE CONTRACTOR:

THE MANAGING DIRECTOR

SHELL NIGERIA EXPLORATION AND PRODUCTION COMPANY LIMITED
21/22 MARINA, LAGOS, NIGERIA

THE MANAGING DIRECTOR

ESSO EXPLORATION AND PRODUCTION NIGERIA (DEEPWATER) LIMITED
MOBIL HOUSE, 1 LEKKI EXPRESSWAY,
VICTORIA ISLAND, LAGOS, NIGERIA

THE MANAGING DIRECTOR

NIGERIAN AGIP EXPLORATION LIMITED
40/42 AGUIYI IRONSI STREET, MAITAMA,
FEDERAL CAPITAL TERRITORY, ABUJA, NIGERIA

THE MANAGING DIRECTOR

TOTAL E&P NIGERIA LIMITED
PLOT 247, HERBERT MACAULAY WAY,
CENTRAL BUSINESS DISTRICT, ABUJA, NIGERIA

31.2 Each Party shall notify the other promptly of any change in the above address.

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IN WITNESS WHEREOF, THE PARTIES herein have caused this Contract to be executed effective as of the day and year first above written.

SIGNED for and on behalf of

NIGERIAN NATIONAL PETROLEUM CORPORATION

By: 

Name: Mele Kyari

Designation: GROUP MANAGING DIRECTOR

In the presence of:

Name: HADISA COMASSIE

Signature: 

Designation: SEC to CORP & LEGAL ADVISER

SIGNED for and on behalf of

Shell Nigeria Exploration and Production Company Limited by

Signature: 

Name: Bako Oluwal

Designation: MANAGING DIRECTOR / CHIEF EXECUTIVE

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In the presence of:

Name: Ucheoma Oghue

Signature: Oghue

Designation: Legal Practitioner

SIGNED for and on behalf of

Nigerian Agip Exploration Limited by

Signature: [Signature]

Name: ROBERTO DANIELE

Designation: VICE CHAIRMAN/MANAGING DIRECTOR

In the presence of:

Name: Callista C. Azogu

Signature: Callista

Designation: SMD

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SIGNED for and on behalf of

Total E&P Nigeria Limited by

Signature: Mr D.

Name: Michael Sangster

Designation: MANAGING DIRECTOR / CHIEF EXECUTIVE

In the presence of:

Name: PATRICK OLINMA

Signature: Pat - T

Designation: ED

SIGNED for and on behalf of

Esso Exploration and Production Nigeria (Deepwater) Limited by

Signature: R. Leing

Name: MANAGING DIRECTOR

Designation: MANAGING DIRECTOR / CHIEF EXECUTIVE

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R. Leing

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In the presence of:

Name: ADESUA DOZIF

Signature: AEL

Designation: EXECUTIVE DIRECTOR/GENERAL COUNSEL

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