

SUDAN (SOUTH)

Production Sharing Contract Dated 28 June 2005 Between Nile Petroleum Corp., SET Energy GmbH And Industrial & Financial Group ASCOM S.A

SOUTH SUDAN
PRODUCTION SHARING CONTRACT

Production Sharing Contract Dated June 28th, 2005

among

Nile Petroleum Corp., a company registered in South Sudan, represented by Mr. Bullen Boll

(hereinafter called "NP"),

SET Energy GmbH, a company established under the Laws of Germany, having its offices in Hamburg, represented by Mr. Thure von Wahl, herby represented by Mr. Christian von Langermann and Mr. Rüdiger Bohlen


(hereinafter called "SET")

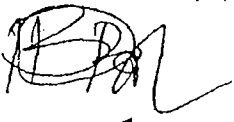
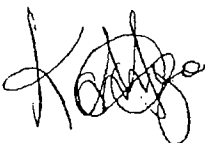
and

Industrial & Financial Group ASCOM S.A., a company established under the Laws of the Republic of Moldova, having its offices in Chisinau, represented by Mr. Anatol Stati

(hereinafter called "ASCOM")

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PREAMBLE

This Contract is made on the June 28th, 2005 by and between NP and the Contractor.

The Parties may sometimes individually be referred to as "Party" and collectively as the "Parties".

Whereas all petroleum in its natural state in South Sudan is the property of the State; and whereas the Government of the South Sudan has received under the UN Peace Treaty the authority to deal with the natural resources in South Sudan and wishes to promote the exploration, development and production of its petroleum resources through NP and the Contractor desires to join and assist NP in the exploration and development of the petroleum resources within the Contract Area, and;

Whereas the Contractor is willing to undertake the obligations provided hereinafter with respect to the exploration, development and production of petroleum in the Contract Area and has represented to have and uphold the required financial ability, technical competence and professional skills necessary to carry out the petroleum operations hereinafter described;

Whereas NP represents that, with respect to this Contract on behalf of the Government, it has the authority to enter into this Contract and all transactions contemplated herein;

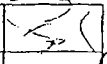

Now therefore the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

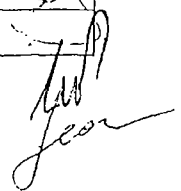
- (1) "Act" means the South Sudan Petroleum Act which will be passed by the Parliament of Southern Sudan.
- (2) "Affiliated Company" means as to each entity of Contractor (who for the purpose of this definition are individually called "Contractor Company"):
 - (i) a company which is directly controlled by a Contractor Company or
 - (ii) a company which directly or indirectly controls a Contractor Company, or
 - (iii) a company which is directly or indirectly controlled by a company which directly or indirectly controls a Contractor Company.

For the purpose of this definition "control" shall mean ownership of more than fifty percent (50%) of the shares and/or of all votes outstanding and entitled to vote, equity interests and the possession of the power to direct the management and policies of such company.

- (3) "Appraisal" means any or all operations such as (but not be limited to) geological, geophysical, and any other surveys and any interpretation of data

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relating thereto as may be contained in approved Work Programs and budgets and the drilling of such shot-holes, bore holes, stratigraphic tests, holes for the appraisal of Petroleum and other related holes and wells, the production testing, PVT and core analysis and the purchase or acquisition of such supplies, materials and equipment therefore, all as may be contained in approved Work Programs and budgets.


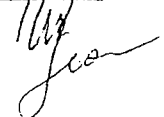
- (4) "Appraisal Area" means an area of up to 10 Grid Areas surrounding the Discovery Well selected by the appraisal of the discovery and possible adjacent discoveries pursuant to Article III hereof.
- (5) "Appraisal Period" for a specific Geological Feature shall be a period of up to 3 years following the Discovery Date pursuant to Article III hereof.
- (6) "Barrel" means forty-two (42) United States gallons liquid measure corrected to a temperature of sixty degrees (60°) Fahrenheit.
- (7) "Block" means Block 5B as defined in Annex A and indicated by the map in Annex B, also referred to as "Contract Area" in this Contract.
- (8) "Calendar Year" means a period of twelve (12) consecutive months, starting with the first day of the month of January and ending with the last day of the month of December, both days being inclusive, according to the Gregorian calendar. Quarters, months and days shall be reckoned accordingly.
- (9) "Commencement of Commercial Production" means the first day of Commercial Production.
- (10) "Commercial Discovery" means a Discovery that is the subject of a Declaration of Commerciality.

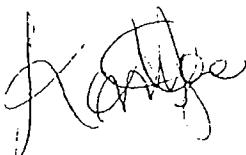
A Commercial Discovery will have been made with respect to Crude Oil, if and at the time the Contractor decides to proceed with the development of a field where a Discovery of Crude Oil has been made, or with respect to non-associated Gas, if and at the time that the Parties agree to proceed with the development of a field where a Discovery of non-associated Gas has been made.

- (11) "Commercial Discovery Date" means the date on which the Contractor notifies NP of the existence of a Commercial Discovery pursuant to Article III hereof.
- (12) "Commercial Production" means regular Crude Oil or Gas production or both, for the purpose of regular local consumption or exports or both. It does not include production for testing purposes or for filling of a pipeline.
- (13) "Commitment Period" is the initial exploration period, or the first extension of the initial exploration period or the second extension of the initial exploration period pursuant to Article III.
- (14) "Contract" means this Production Sharing Contract together with the Annexes listed in Article II.

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- (15) "Contractor" means SET and ASCOM jointly as parties to this Contract, their subsidiaries or affiliates or successors or a joint legal entity.
- (16) "Cost Gas" means that portion of gas allocated for cost recovery as set forth in Article VII.
- (17) "Cost Oil" means that portion of oil allocated for cost recovery as set forth in Article VII.
- (18) "Crude Oil" means Petroleum which is in a liquid state at the wellhead separator or which is extracted from the gas or casing head gas in a plant. Such term shall also without limitation include distillate, condensate and asphalt.
- (19) "Cubic meter" means for the purpose of the Contract a value measure equivalent to six decimal two eight nine eight one (6.28981) Barrels at standard conditions of temperature and pressure.
- (20) "Development" shall inter alia include all the operations and activities under this Contract in respect to:
- (i) The drilling, deepening and completing of wells capable of producing or assisting to produce Petroleum in commercial quantities.
 - (ii) Design, construction, installation, operation, servicing and maintenance of equipment, lines, systems, facilities, plants and related operations and such other activities to produce Petroleum and operate Development Wells, to take, save, treat, handle, store, flare, transport and deliver Petroleum for export, conveyance to pipelines or a refinery located in the vicinity of the Petroleum field, or otherwise for local utilization, and to undertake repressuring, recycling, other secondary recovery projects and all other incidental or necessary operations.
- (21) "Development Area" means the Sections which cover an Crude Oil or Gas field.
- (22) "Development Wells" shall mean those wells drilled on a Geological Feature subsequent, to the drilling of a Discovery Well on such Geological Feature.
- (23) "Discovery Date" means the date on which the Contractor notifies NP of the existence of a Discovery Well.
- (24) "Discovery Well" means the first well on any Geological Feature which after testing in accordance with good, sound and accepted oil industry practice, is capable of producing petroleum at a rate that economically justifies the undertaking of appraisal work.
- (25) "Effective Date" shall mean the beginning of the first day following the signature date of this contract, starting 00:00 a.m. Central European Time.
- (26) "Exploration" shall include geological, geophysical, geochemical and other surveys, investigations, tests and the drilling of shot holes, core holes,

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stratigraphic tests and other drilling and testing operations, exploration wells and appraisal wells, and other drilling and testing operations for the purpose of obtaining geological information, discovery of Petroleum, evaluation of a Petroleum field(s) and appraisal of petroleum discoveries and the purchase, acquisition, storage and transportation of all supplies, materials, equipment, manpower and all other services and devices incidental thereto. The verb "explore" shall mean the act of conducting exploration.

- (27) "Exploration Period" means a period of up to ten (10) years from the Effective Date pursuant to Article III hereof.
- (28) "Exploration Well" means a well drilled on a Geological Feature for the purpose of discovery of Petroleum.
- (29) "Financial Year" means the Calendar Year (as defined in paragraph (8) hereof) starting January 1 and ending December 31, both dates being inclusive.
- (30) "Gas" means Petroleum, which is a natural gas, whether wet or dry, both associated and non-associated with Crude Oil and all of its constituent elements and all non-hydrocarbon substances herein. This term shall also without limitation include all kinds of residue gas.
- (31) "Geological Feature" means a separate and closed structure and/or stratigraphic trap of a given producing horizon.
- (32) "Grid Area" means an area of five minutes longitude and latitude pursuant to the Rules.
- (33) "Government" means the Government of South Sudan.
- (34) "Interest on Investment" means the interest and other related costs to the loans got by the Contractor to finance Petroleum Operations.
- (35) "Manager" means the person entrusted by Contractor with the management of petroleum operations hereunder and referred to in Article X hereof.
- (36) "Minister" means the Minister, responsible for Energy and Mining, or any other minister, entity or person designated from time to time by the Government to represent the Government in respect of this Contract.
- (37) "Operator" means such entity as may be appointed by the Contractor to serve as Operator with responsibilities for carrying out Petroleum Operations in the Contract Area subject to and under the provisions of this Contract. The nomination of the Operator will be subject to a joint operating agreement.
- (38) "Petroleum" means all natural hydrocarbons whether liquid, gaseous or solid including crude oil of various densities, gas, casing head gas, asphalt and all other hydrocarbon substances and all substances that may be extracted therefrom.
- (39) "Petroleum Costs" means all expenditures incurred and payments made by the Contractor in connection with or in relation to the carrying out of the

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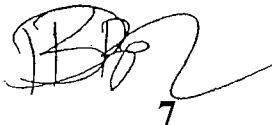

Petroleum Operations determined in accordance with the provisions of this Contract and the Accounting Procedure as set out in Annex C.

- (40) "Petroleum Operations" means the exploration, development, exploitation, production, extraction and all other operations related thereto, including but not limited to transportation of petroleum from Discovery Wells to export and/or refinery terminals, transportation of the same to internal distribution points and all other operations authorized, required or contemplated under this Contract.
- (41) "Rules" means rules under the South Sudan Petroleum Act (No 1, 2005) or where such rules are not promulgated on the Effective Date means procedures that represent good international petroleum practices .
- (42) "Section" means an area of thirty minutes latitude and longitude as provided for in the Rules.
- (43) "South Sudan" means the area in the southern part of Sudan established in the UN Peace Treaty of January 9th, 2005.
- (44) "State" means the area of South Sudan as layed out UN Peace Treaty of January 9th, 2005.
- (45) "Tax Year" means the period of twelve (12) consecutive months for which tax returns or reports are required according to any applicable income, profits or other tax laws or regulations of the South Sudan.
- (46) "Work Program" means an itemization and time schedule of the Petroleum Operations to be carried out under the Contract.
- (47) "Year" means a period of 365 days, or for leap years 366 days, to the day prior to the day of the month on which the period started. For purposes of this Contract a year shall start at midnight at the beginning of the first day and shall terminate at midnight of the last day.

ARTICLE II
ANNEXES TO THE CONTRACT

- (1) The following Annexes shall constitute integral parts of this Contract and shall have equal force, validity and effect therewith:
 - (a) Annex "A" which is a description of the Contract Area covered and affected by this Contract and which also includes the coordinates of the Block.
 - (b) Annex "B" which is a map of the Contract Area covered and affected by this Contract.
 - (c) Annex "C" which is the accounting procedure applicable to this Contract.

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which is the form of a Corporate Guarantee.

- (e) Annex "E" which will be a joint operating agreement to be concluded by the Contractor.
- (2) In the event of contradiction between the Annexes and the provisions of this Contract the latter shall prevail.

**ARTICLE III
GRANT OF RIGHTS AND TERM**

- (1) NP hereby grants to Contractor, subject to the terms and conditions set out in this Contract, the exclusive right to conduct Petroleum Operations in the Contract Area described in Annexes "A" and "B" including all other supporting activities normally associated with such Operations. The terms and contents shall be as follows:

As his general obligations, Contractor shall:

- Carry out Petroleum Operations to explore for, appraise, develop and produce oil from Commercial Discovery(s) in the Contract Area;
- Transport petroleum, by building necessary infrastructures, from Intake Point to Delivery Point(s);
- Provide all capital, machinery, equipment, technology, personnel and services necessary for carrying out Petroleum Operations;
- Incur all Petroleum Costs required for carrying out Petroleum Operations; and
- Fulfill all financial and other obligations of the Contractor and enjoy all rights and benefits of Contractor as provided in the Contract.

The Parties shall have the following participating interest under this Contract:

- SET: 47,5 %
- ASCOM: 47,5 %
- NP: 5,0 %

Organisation, performance and administration of the Petroleum Operations shall be subject to a joint operating agreement to be signed by the Parties. All costs of Petroleum Operations shall be paid and borne by the Contractor.

Furthermore:

- (a) Contractor shall be granted an Exploration Period consisting of five (5) Years starting from the Effective Date hereof for the initial exploration phase and two extensions of two and a half (2.5) Years, each to the initial exploration phase. These extensions shall be granted to the Contractor at its option upon sixty (60) days prior written notice to NP, before the end of the current phase, and subject to Contractor having

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fulfilled its obligations for the preceding phase or extension. If Contractor fails to complete the drilling of at least one well, as set out in Article IV, within the Exploration Period, his option for extension expires. The same rule applies during the first extension period.

- (b) The Contractor shall inform NP within three (3) months after the termination of the drilling of an Exploration Well whether such well is a Discovery Well or not. The Discovery Date shall be the date of the respective notice or the date on which such notice was due.
- (c) The Contract shall terminate if not at least one notice of a Discovery Well pursuant to sub-paragraph (a) above is provided prior to the end of the Exploration Period or the extension thereof.
- (d) On or prior to the Discovery Date for a Discovery Well, the Contractor shall have the option to select an Appraisal Area in order to appraise the discovery. The Appraisal Area shall be a contiguous area of up to 10 Grid Areas containing the location of the Discovery Well declared by the Contractor, the Geological Feature on which the Discovery Well was drilled and possible adjacent Geological Features which, in the opinion of the Contractor, may also contain discoveries. The Appraisal Area must to the full extent be located in the Contracted Area. If the Contractor establishes during the Exploration Period one or more Discovery Wells, outside already existing Appraisal Areas, the Contractor may select for each such Discovery Well a contiguous new Appraisal Area surrounding such Discovery Well.
- (e) After the Discovery Date for each Discovery Well, the Contractor shall undertake the Appraisal of the Discovery and shall drill as a minimum one well per Year to such depths and at such locations for the purpose of delineating the reservoir or reservoirs and Appraising its potential for production in accordance with good and sound oil industry practice and standards as well as Discovery and Appraisal of further Discoveries in the Appraisal Area. The Appraisal Period shall be a maximum period of three (3) Years following the Discovery Date for the respective Appraisal Area. Where the Contractor has selected more than one Appraisal Area, the Contractor shall drill one well per Year of the characteristics established in this paragraph for each Appraisal Area. If Contractor fails to fulfill his obligations with respect to an Appraisal Area, such Appraisal Area will be relinquished.
- (f) Such Appraisal shall be undertaken by the Contractor in full consultation with NP and, after close consultations between the Parties, the Contractor shall determine during the Appraisal Period whether each discovery is worthy of commercial development or not and shall notify NP accordingly. Such determination shall be made prior to the termination of the Appraisal Period and the date of the notification to NP shall be the Commercial Discovery Date for each Discovery. If the determination is negative or if Contractor fails to make such determination within 30 days written notice by the NP, the respective Appraisal Area will be relinquished.

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- (g) Not later than ninety (90) days following the Commercial Discovery Date, Contractor shall select for each discovery a Development Area. Such Development Area shall as a maximum contain all Sections which cover vertical projection to the surface of the extension of the Crude Oil and Gas reservoirs of the Commercial Discovery in the Contract Area as well as a certainty zone of up to 5 kilometres surrounding the vertical projection of such extension. It must, however, be located to the full extent within the Contract Area. The Development Area shall be selected in close consultation with NP and where the Contractor selects a Development Area which exceeds the number of Sections pursuant to this Article, NP may object to such selection within ninety (90) days of the notification of NP of such selection. If NP objects to the selection, and the parties cannot subsequently agree, of the Development Area, the matter shall be settled for arbitration.
- (h) Contractor shall not later than one hundred and ninety (190) days following the Commercial Discovery Date, prepare, in consultation with NP, a Work Program and budget for the Development of such Discovery. Development of such Discovery shall thereafter be started promptly by Contractor in accordance with good and sound oil industry practice and acceptable petroleum engineering principles and shall be continued until such Discovery is fully developed.
- (i) If a Discovery Well is established but the Geological Feature on which such well exists is not deemed by Contractor to be a Commercial Discovery prior to the end of the Appraisal Period, the Appraisal Area shall be relinquished.
- (j) Upon termination of the Exploration Period the Contract Area shall be relinquished except the Development Areas surrounding Commercial Discoveries and/ or the Appraisal Areas surrounding Discovery Wells.
- (k) If the Contractor does not inform NP of any Commercial Discovery within ten (10) Years following the Effective Date, this Contract shall terminate.
- (l) The development period, including the period of Commercial Production, shall be thirty (30) years commencing from the Commercial Discovery Date. This period may with the consent of the Minister be renewed for an additional five (5) Years upon six (6) months prior written notice from Contractor to the Minister.
- (m) In the event that no Commercial Production is established in a Development Area within fifteen (15) Years from the Effective Date or within five (5) Years from the Commercial Discovery Date, the Development Area shall be relinquished after ninety (90) days written notice by NP to Contractor.
- (n) Contractor shall bear and pay the costs and expenses required in carrying out Petroleum Operations under the Contract and all other operations incidental to or arising there from. Contractor shall look only to the Petroleum to which it is entitled under this Contract to

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recover such costs, expenses and other fees incurred in the development of oil and gas reserves in the Contract Area. These costs and expenses shall only be recoverable in the manner provided for in Article VII. During the term of this Contract and its renewal, the total amount of production achieved in the conduct of such operations shall be divided between the NP and Contractor in accordance with the provisions of Article VII.

- (o) Contractor shall diligently, efficiently and promptly perform all its duties set forth in this Contract and in accordance with good, sound and acceptable oil industry economic and business standards and practices.
- (2) (a) In the event that a Discovery extends beyond the boundary of the Contract Area, the Minister, NP and the Contractor shall use reasonable efforts to enter into an agreement for a unitized development program (to the extent such unitized development program merits technical consideration over the co-operative development program, in accordance with internationally accepted industry practice), with a single operator, either between themselves or with the party or parties that have rights to the additional area to which such Discovery extends.
- (b) It is understood that such unitization agreements involving the Contract Area will provide for a fair allocation of Crude Oil and/ or Gas reserves within Oil and/ or Gas Fields that are the subject of the aforesaid unitization agreements.
- (c) This paragraph (2) shall also apply to a field that extends to an area that is not within the territory of the South Sudan. In such a case, the Government may also impose any special rule or condition necessary to satisfy obligations under an agreement with an adjacent country with respect to the development and production of the field.
- (d) In the event of a conflict, the provisions of the unitization agreement shall prevail.

ARTICLE IV
WORK PROGRAM AND EXPENDITURES

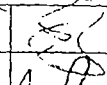
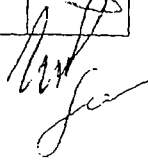
- (1) Contractor agrees to and commits to undertake in the Contract Area covered by this Contract, the program set forth herein:
 - (a) During the initial exploration phase of five (5) Years to drill three Exploration Wells of at least 3,000 (three thousand) meter vertical depth and acquire 1,000 (one thousand) kilometer of 2D seismic profiles.
 - (b) During the first extension of two and a half (2.5) Years of to drill one well.


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- (c) During the second extension of two and a half (2.5) Years to drill another one well.
- (d) Contractor shall acquire and process new 2D or 3D-seismic data to evaluate the said Contract Area and define exploration drilling locations.
- (2) NP or the Government shall not bear any of the aforesaid expenses spent or paid by the Contractor in relation to the wells provided for under paragraph (1) hereof, but any and all such expenses whatsoever must be born by the Contractor, and will be recovered in the manner provided for in Article VII.
- (3) Contractor shall be responsible for the preparation and performance of the Work Program within the Contract Area, which shall be implemented in a workmanlike manner and consistent with good and sound industry practice.
- (4) Unless Contractor has relinquished the Contract Area under this Contract or this Contract is terminated, Contractor shall be entitled to recover all payments and expenditures for work contracted for in the Development of Commercial Production in the manner provided for under Article VII.
- (5) Contractor shall advance all necessary funds for all materials, equipment, supplies, services, personnel, administration and operations for the work and related activities pursuant to the Work Program and budget and NP and/ or the Government shall not be responsible to bear or repay any of the aforesaid costs or any cost incidental thereto.
- (6) Contractor shall, using suitable up-to-date equipment, machinery, and methods and conducting operations hereunder in accordance with good oil and gas field practices, carry out a program designed to achieve the maximum possible Exploitation compatible with proper economics of each Commercial Discovery.
- (7) Prior to the beginning of each Year, the Contractor shall prepare in consultation with NP a Work Program setting forth the operations which the Contractor proposes to carry out during the ensuing Year. The Work Program for the first year shall be submitted by the Contractor within 60 days of the Effective Date provided that the Contractor has received the available data according to Artikel XIII paragraph eight within 30 days after the Effiktive Date.
- (8) Contractor shall provide NP, within thirty (30) days at the end of each quarter-year a statement of the estimates of expenditures reflecting such quarter-year and a summary of cumulative expenditures since the Effective Date and after initial Commercial Production, a statement of cost recovery, both as detailed in Annex "C". Contractor's records and necessary supporting documents in respect of such quarter-year shall be available for inspection by NP or his authorized representative at any time during regular working hours.
- (9) Contractor shall bear and pay the costs and expenses required in carrying out Petroleum Operations under this Contract in accordance with agreed Work Program and budget. Contractor shall look only to the Petroleum to which it is entitled under the Contract to recover such costs, expenses and other fees


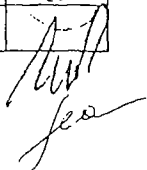
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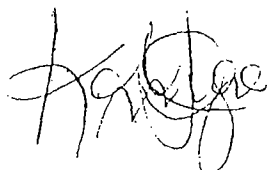




incurred in the development of oil and gas reserves in the Contract Area. Such costs and expenses may include Interest on Investments, and shall be recoverable in the manner provided for in Article VII. During the term of this Contract and its extension, the total amount of production achieved in the conduct of such operations shall be divided between the NP and Contractor in accordance with the provisions of Article VII.

ARTICLE V
RELINQUISHMENTS

- (1) MANDATORY: Contractor shall at the end of the initial Exploration phase relinquish to NP not less than fifteen percent (15%) of the original Contract Area. At the end of the first extension of the initial Exploration phase Contractor shall relinquish to NP not less than twenty percent (20%) of the remainder of the original Contract Area, and at the end of the second extension of the initial Exploration phase the Contractor shall relinquish to NP the remainder of the original Contract Area not covered by Appraisal or Development Areas.
- (2) VOLUNTARY: Contractor may voluntarily during any Commitment Period and upon thirty (30) days written notice relinquish all or any part of the Contract Area provided that at the time of such voluntary relinquishment its obligations under Article IV have been satisfied.
- (3) Unless otherwise agreed to by NP the shape of any area formed to be relinquished shall be convenient to allow Exploration and Development to be conducted therein by NP.
- (4) Notice of relinquishment shall be accompanied by a map and a description indicating the precise extent of the area to be relinquished and the area to be retained.
- (5) Upon relinquishment, the area or areas of the original Contract Area so relinquished shall cease to be part of the Contract Area covered by this Contract and this Contract shall be considered as terminated in relation thereto.
- (6) Any voluntary relinquishment shall be credited toward the mandatory relinquishment of the whole Contract Area covered by this Contract.
- (7) If during a Commitment Period the Contractor gives a notification of relinquishment of the whole Contract Area covered by this Contract and the Contractor has not at that time fulfilled its minimum drilling then due under Article IV for such Commitment Period then the Contractor shall pay NP an amount of US \$ 5,000 (five thousand US Dollars) for every meter not drilled relative to the drilling obligation under such period.

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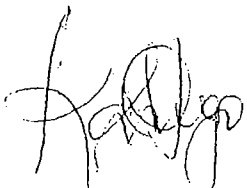
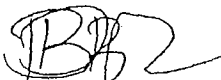
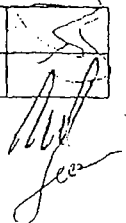




ARTICLE VI
EXCHANGE RIGHTS AND OBLIGATIONS

- (1) Funds transferred into South Sudan for local expenditures, funds utilized abroad to purchase goods and services, charges for services performed by Contractor or its sub-Contractors outside South Sudan, and all other expenditures and investments under this Contract shall be registered with NP, which shall issue appropriate written confirmation to Contractor that said expenditures and investments are registered as foreign investments.
- (2) Funds required by Contractor to meet local expenditures shall be imported in freely convertible currencies or obtained from its affiliates further to the oil services provided in South Sudan as sub-Contractors.
- (3) Purchase or sale of foreign exchange shall be effected at the daily prevailing rates as quoted by commercial banks operating in the South Sudan based on rates as quoted by the Bank of South Sudan, provided exchange rate applicable to Contractor's Operations shall not be less favourable than that available to any private, commercial or industrial undertaking in South Sudan. Where such quotations do not exist, NP and Contractor shall consult on the appropriate exchange rate to be used, based on the principles set out in this contract.
- (4) Contractor is authorized to open and operate accounts in foreign banks outside South Sudan. Withdrawals from said accounts shall be used for payments of goods and services acquired abroad and for transferring to local banks in South Sudan the required amounts to meet expenditures in local currency in connection with its activities under this Contract. Quarterly statements shall be submitted to NP showing funds credited to said account, disbursement made, interest earned and paid and the outstanding balance.
- (5) Contractor is guaranteed for the duration of this Contract the following exchange rights:
 - (a) To provide in freely convertible foreign currencies all funds for operations under the Contract.
 - (b) To hold such funds abroad and Contractor shall not be obliged to transfer to South Sudan funds or assets held outside the country except such funds as are necessary to meet its requirements for local currency.
 - (c) To retain abroad and freely dispose of all Contractor's proceeds from the export and sale of Petroleum and Contractor shall not be obliged to remit such export proceeds to the South Sudan except such proceeds as may be needed to meet its expenses and obligations in the South Sudan.
 - (d) Contractor and its sub-contractors shall be authorized to pay their expatriate employees working in South Sudan in foreign currencies outside of South Sudan and such employees shall only be required to bring into South Sudan such foreign exchange as required to meet

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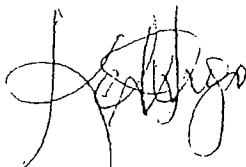
their personal living expenses and personal income obligations according to applicable rules and regulations.

- (e) Contractor shall be entitled to maintain a special account for non-South-Sudanese funds which can be disbursed only for the purpose of purchasing travelers cheques for Contractor employees for travel purposes. Such traveler's cheques shall only be issued on presenting evidence of sufficiency of funds in a special account.
- (f) Any payment to the Government and/or to any other local entities and/or persons by Contractor pursuant to this Contract may be made in US Dollars unless the Parties mutually agree on another currency (e.g. local currency).

ARTICLE VII
RECOVERY OF COSTS AND EXPENSES AND PRODUCTION SHARING

- (1) Cost Recovery: Subject to the accounting procedure and to the auditing provisions under this Contract, Contractor shall recover costs and expenses in respect of exploration and all Petroleum Operations under this Contract, out of an amount of Crude Oil and Gas in value as produced to the maximum of:
 - (a) Forty Five percent (45%) of all Crude Oil produced and saved from the Contract Area and not used in Petroleum Operations.
 - (b) Sixty percent (60%) of all Gas produced and saved from the Contract Area and not used in Petroleum Operations.
 - (c) Such costs recovery in Crude oil and Gas is hereinafter referred to as "Cost Oil" and "Cost Gas". Such costs and expenses of Petroleum Operations shall be recovered from the Cost Oil and Cost Gas in the following manner:
 - (aa) All Expenditures including those accumulated prior to Commercial Production shall be recovered in the Financial Year after initial Commercial Production.
 - (bb) To the extent that in each Financial Year quarter costs, expenses or as recoverable per sub-paragraph (aa) above exceed the value of all Cost Oil and Cost Gas produced in such Financial Year quarter, the excess shall be carried forward for recovery in the next succeeding Financial Year quarter(s) until fully recovered.
 - (cc) If in any Financial Year quarter costs, expenses or expenditures recoverable per sub-paragraphs (aa) and (bb) above are less than the value of all Cost Oil and Cost Gas, then the remaining balance of all such Cost Oil and Cost Gas shall be considered Profit Oil and Profit Gas.

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- (d) The Accounting Procedures shall set out the classification of all cost, expenses and expenditures for their recovery.
- (2) Contractor shall be entitled to take and separately dispose and export all Cost Oil and Cost Gas produced, plus its share of the balance of the Crude Oil and Gas as stipulated in paragraph (2) (a), (b), and (c) in this Article VII.

(a) Production Sharing - Crude Oil:

The remainder of the annual gross production from the Contract Area of all Petroleum after taking the Cost Oil/Cost Gas shall be taken and disposed of separately by the NP and the Contractor in the following incremental sliding scale portions:

- (aa) If the average daily production of Crude oil in a Financial Year is equal to or less than 25,000 barrels per day then it shall be taken and disposed of separately by NP and Contractor in the following proportions:

NP	60%
Contractor	40%

- (bb) If the average daily production of Crude oil in a Financial Year is more than 25,001 barrels per day but equal to or less than 50,000 barrels per day, then that portion of the increment of the average daily production of Crude Oil shall be taken and disposed of separately by NP and Contractor in the following proportions:

NP	65%
Contractor	35%

- (cc) If the average daily production of Crude Oil in a Financial Year is more than 50,001 barrels per day, but equal to or less than 75,000 barrels per day, then that portion of the increment shall be taken and disposed of separately by NP and Contractor in the following proportions:

NP	70%
Contractor	30%

- (dd) If the average daily production of Crude Oil in a Financial Year is more than 75,001 barrels per day, or the Contractor has reached its cost recovery in full, then that portion of the increment shall be taken and disposed of separately by NP and Contractor in the following portions:

NP	75%
Contractor	25%

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(b) Production Sharing - Gas:



The production of Gas shall be taken and disposed of separately by NP and Contractor according to Artikel XXXII.

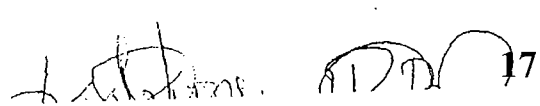
ARTICLE VIII
TITLE TO ASSETS

- (1) The NP shall become the owner of all assets acquired and owned by Contractor in connection with the operations carried out by Contractor in accordance with the following:
- (a) Land (including buildings and fixed structures thereon) shall become the property of the Government as soon as it is purchased.
 - (b) Title to fixed and movable assets shall be transferred from Contractor to the Government at the end of the Financial Year in which total costs of all such assets have been recovered by Contractor in accordance with the provisions of Article VII, or at the time of termination of this Contract, whichever first occurs. The book value of the assets acquired during each Financial Year quarter shall be communicated by Contractor to the Government and NP within forty five (45) days of the end of the Financial Year.
- (2) During the term of this Contract and any renewal period Contractor is entitled to the full use of all fixed and movable assets in the Contract Area, and any other area approved by NP. Contractor shall not dispose of the same except with the approval of NP.
- (3) Contractor shall submit to NP a detailed statement showing the life expectancy of all assets purchased for use in the State.
- (4) At least once every Calender Year or at reasonable intervals within a Calender Year, inventories shall be taken by Contractor of the operations material, which shall include all such material, physical assets, machines and equipment in accordance with the provisions of the Accounting Procedure.

ARTICLE IX
BONUSES, TAXES, ROYALTIES AND OTHER PAYMENTS

- (1) Contractor shall pay to NP the sum of ten Million US Dollars (\$ 10,000,000) as a signing bonus for the Contract Area payable into an escrow account of a first class international bank to be nominated by the Contractor within 30 days from the Effective Date.
- (2) (a) Contractor shall pay to the NP the sum of one and a half Million US Dollars (\$ 1,500,000) as a Commercial Discovery bonus payable on

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the date the average daily production during 30 days has reached 100,000 barrels per day.

- (b) Contractor shall pay to the NP an assignment bonus in an amount of two hundred fifty thousand US Dollars (\$ 250,000) in the event that this contract or any right, privilege, duty or obligation herein is assigned to a third party in whole or in part.
 - (c) Each sum provided for under this paragraph 2 above shall be paid within thirty (30) days of the respective dates.
- (3) Contractor shall pay to NP at the beginning of each Financial Year commencing at the Effective Date and while this Contract remains in effect a scholarship, training and technical bonus of US \$ 100,000 for the training of NP personal, officials of the Government and other citizens of the State. The initial payment will be made on the Effective Date. This payment will increase to US \$ 200,000 per Year after the Commencement of Commercial Production.
 - (4) Commencing from one Year after the Effective Date, Contractor shall pay at the start of each Financial Year to the municipal authorities a contribution totalling one hundred US Dollars (\$100,000), for social development purposes. The amount shall be distributed to the municipalities located in the Grid Areas where the producing wells are located based on allocation formula decided by NP. Where there are no municipalities in the respective Grid Areas, the amount shall be distributed to the municipalities nearest to these Grid Areas. This annual social development bonus will increase to two hundred thousand US Dollars (\$ 200,000) after Commencement of Commercial Production.
 - (5) Commencing on Commercial Production, Contractor shall pay quarterly to NP a royalty of seven percent (7.0 %) from crude oil and gas determined in cash on the basis of the value at the Production Measurement Point. NP shall pay the same amount to the provincial government. The provincial government that receives the royalty shall be the government of the province in which the Sections with the producing wells occur. Where production occurs in more than one province under this Contract, the royalties shall be distributed based on the respective production from each province based on the location of the wellheads of the producing wells and as measured and determined by Contractor.
 - (6) Contractor shall, commencing one Year after the Effective Date, pay annually in advance surface rentals as follows:
 - (a) During the First Commitment Period for each one square kilometre - ten US Dollars (\$ 10).
 - (b) During the Second Commitment Period for each one square kilometre - twenty US Dollars (\$ 20).
 - (c) During the Third Commitment Period and the Appraisal, and any extension, for each one square kilometre - forty US Dollars (\$ 40).

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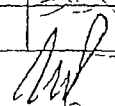
**ARTICLE XI
DILIGENT AND WORKMANLIKE OPERATIONS**

- (1) Contractor shall conduct its operations in the Contract Area through Operator with due diligence and in a workmanlike manner and in accordance with good and sound methods and standards of the petroleum industry. Contractor shall take all measures to prevent loss or waste of petroleum above or under the ground in any form during drilling, producing, gathering and distributing or storage operations without prejudice to the generality of the aforesaid, Contractor shall:
 - (a) Take whatever practical measures are necessary to prevent any injurious ingress of water or damage of any kind to any, Petroleum bearing formation which may be encountered while drilling operations are in progress or upon abandonment of any well and shall carefully locate and preserve any fresh water sources discovered in the course of such operations.
 - (b) Take all precautions against fire and any unwarranted wasting of Crude Oil, gas, water and/or any other natural resources.
- (2) Upon completion of the drilling of a prospective well, Contractor shall inform NP of the time when the well will be tested and the production rate ascertained.
- (3) Except in instances where multiple producing formations in the same well can be produced economically only through a single tubing strings, Petroleum shall not be produced from multiple oil carrying zones through one string of tubing at the same time, except with the prior written approval of NP.
- (4) Contractor shall record data regarding the quantities of Petroleum and water produced monthly from the contract area. Such data shall be sent to the minister within thirty (30) days after it is obtained. Daily or weekly statistics regarding the production from the contract Area shall be available at all reasonable times for examination by NP.


**ARTICLE XII
CUSTOMS EXEMPTIONS**

Imports and exports of all items shall be subject to customs laws and regulations then in force, to any consular fees of general application, and to any fees or charges of general application for use of ports, harbours or other services or facilities made available by the Government, subject to the foregoing:

- (1) Contractor shall be permitted to import and shall be exempted from customs duties with respect to the Importation of any machinery, equipment, material, vehicles, supplies and consumables or movable property which is a piece of capital equipment and/or necessary for Petroleum Operations, and which is to be used solely in carrying on Petroleum Operations as certified by the Minister's representative and such other articles as the Minister may from time to time approve.


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- (2) The exemption provided in paragraph (1) of this Article shall not apply to any imported items when in the opinion of the Minister items comparable in price, quality and delivery dates are obtainable in the South Sudan. In comparing the prices of the items sought to be imported with the like items obtainable in the South Sudan, there shall be added to the price of the items sought to be imported duty-free the consular fees, freight and insurance and other costs, charges or fees, other than import duties, normally incurred through shipment, unloading and clearance through South Sudanese customs.
- (3) Each expatriate employee of Contractor and sub-Contractors, through Contractor, shall be permitted to import and shall be exempted from customs duties with respect to the reasonable importation of household goods, and equipment, including one automobile, provided that such item are imported for the sole use of the employee and his dependents, and provided further that they shall be exported upon the transfer of or the termination of the expatriate employee's contract and that they shall not be resold by him in the South Sudan except with the approval of the Minister. The exemption granted under this paragraph (3) shall not cover wearing items, tobacco, any drinks and beverages for household use.
- (4) All items which are imported duty-free shall, as much as possible, be marked with the name or marks of Contractor in a manner difficult to delete.
- (5) Any of the items imported into the South Sudan either exempt or non-exempt from customs duties or imposts under this Article may be exported by the importing person fit any time without the payment of any export duty or impost, subject to normal import and export procedures.
- (6) Used but serviceable material, equipment and goods resulting from Petroleum Operations hereunder may with the approval of the Minister be sold within the Sudan provided that the applicable custom duties, taxes or imposts be paid.
- (7) Material, equipment and goods so damaged or used as to be non-serviceable and which are classified by Contractor as scrap or Junk (any such Contractor's appraisal being subject to the Minister's scrutiny) may be resold as scrap upon payment of customs duties, taxes or imposts on the value of the scrap.
- (8) Exemptions granted to Contractor's expatriate employees hereunder shall last from the Effective Date hereof up to the end of this Contract.
- (9) „Customs, duties" as used herein shall mean import duties, taxes and imposts of general application which are payable as a result of the importation of the item or items hereunder but shall not include consular fees of general application, fees or charges of general application for use of ports and harbours or charges payable to the Government for facilities or services made available.
- (10) There shall be no licence required and Contractor shall be exempted from any duty, fee, oil export tax or any other financial impost in respect of the export of Contractor's share of Petroleum hereunder.

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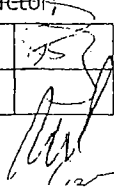
**ARTICLE XIII
RECORDS, REPORTS AND INSPECTION**

- (1) Contractor shall furnish the Minister with:
- (a) Daily Drilling and geological reports when drilling operations are proceeding;
 - (b) Weekly geophysical reports when geophysical data is being acquired;
 - (c) Monthly and annual activity reports with respect to all Petroleum Operations;
 - (d) Monthly, quarterly and annual financial statements;
 - (e) Such other reports as Contractor routinely generates for its own purposes in the conduct of Petroleum Operations, or as may be reasonably requested by the Minister.
- (2) The Contractor shall maintain at its business office in the South Sudan:
- (a) Books of accounts showing complete, accurate, current and systematic financial records of its operations under this Contract in accordance with the accounting procedure in Annex "C" hereof and good and sound accounting practices generally accepted in the petroleum industry, and such other books and records as may be necessary to show the work performed under this Contract or as may be required by law or by NP. Such books of accounts shall in addition be kept in accordance with such accounting system as NP shall approve and shall show all revenues received by Contractor from its operations and all expenditures and provide for a clear understanding of the financial aspects of such operations including, but not limited to, the amount and value of all petroleum produced and saved hereunder. All books of accounts and financial statements shall be kept in terms of United States dollars.
 - (b) Copies of all maps, geological or other earth science reports and petroleum analysis (together with all field data which support such reports or data) production records, marketing reports and any other data obtained or compiled by Contractor as a result of its operations hereunder. Contractor shall in addition:
 - (aa) Save and keep a representative portion of each sample of cores and cuttings taken from drilling wells to be forwarded to NP in a manner directed by NP. All samples acquired by Contractor for its own purposes shall be considered available for inspection by the Minister.
 - (bb) Unless or otherwise agreed to by the Minister, in case of exporting any rock outside the South Sudan, with the approval

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of NP, samples equivalent in size and quality shall be delivered to the NP before such exportation.

- (3) Contractor shall submit such information, data and reports to NP, in such form, detail, and at such times as may be required by law or as NP may require with respect to exploration, production, employment and training, marketing and such other matters as may be related to the conduct of its operations hereunder. Without prejudice to the generality of the aforesaid Contractor shall furnish with monthly returns showing amount of petroleum produced and saved hereunder. Such returns shall be signed by the Manager or a duly designated deputy and delivered to NP within ten (10) days after the end of the month covered in the return.
- (4) NP or its representatives may at any time have access to and/or inspect the books, records, assets and data kept by Contractor, and any and all facilities and areas related to the operations hereunder Contractor shall make all reasonable arrangements to facilitate such access and/or inspection and make its appropriate employees available to render assistance to any such access and/or inspection. In this respect Contractor shall provide NP or its representative with all data, information, reports, records (as specified in this Article), including but not limited to geological and geophysical reports, logs and well surveys and the interpretation of such data.
- (5) Contractor shall cause its books of accounts to be audited by or his duly authorized representatives at such times herein specified or as NP may direct. Contractor's records shall conclusively be presumed to be true and correct if no written exception is taken to any item within twenty four (24) months following the end of the Financial Year for which the expenditure statement has been submitted to NP.
- (6) The NP shall treat all data and other information supplied by Contractor hereunder as confidential and shall not reveal such information to third parties except with the consent of Contractor, which consent shall not be unreasonably withheld, for the duration of Exploration operations in the part or parts of the Contract Area which Contractor has not relinquished. NP may nevertheless use any such information received from Contractor for the purposes of preparing and publishing general or public records or statistics on petroleum or other condition in the South Sudan and in connection with any dispute between NP and Contractor.
- (7) All information, data and their interpretation and the studies acquired by the Contractor under this Contract shall be considered as confidential and shall not be disclosed to any third party without prior written approval of the Minister, except that such approval will not be required for the Contractor to disclose any of such information or data
 - (a) to its sub-Contractors, consultants or financial advisors that are bound to a confidentiality obligation with respect to such data and information;
 - (b) as may be specifically required by any court, tribunal or arbitration panel having jurisdiction in a legal process involving the Contractor;

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environment after termination of Commercial Production. During the Commercial Production Period, Contractor shall build up sufficient funds for the fulfilment of the environmental protection plan according to the accounting procedure as set out in Annex C.

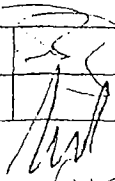
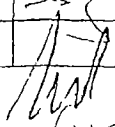
- (4) Contractor shall obtain within ninety (90) days after Discovery Date and maintain adequate insurance to cover the risks in connection with or in relation to the Petroleum Operations and any other activities related thereto and as may be required by South Sudanese Law and/ or by international oil and gas practice during the term of this Contract.
- (5) Contractor shall establish an insurance plan, to be approved by the Minister, for its operations hereunder and shall obtain the insurance contracts in accordance therewith. Such insurance shall cover e.g. but not limited to, damage to equipment, installations, third party liabilities, costs of blow-outs and regaining control of wells. Contractor shall endeavour to ensure that its sub-Contractors obtain insurance to cover their risks under their relevant contracts. All costs related to insurances shall be recovered by Contractor from Cost Oil and Gas.
- (6) Government shall indemnify the Contractor against all damages to which it may be held liable on account of the Government's actions, or the actions of the Government's representatives. To this end Government shall at all time indemnify and hold the Contractor and its officers and agents harmless from all claims and liabilities for death or injury to persons or damage to property, excluding any liability for consequential or punitive damages or loss of profits.

ARTICLE XVI
PRIVILEGES OF NP AND GOVERNMENT REPRESENTATIVES

- (1) Duly authorized NP and Government representatives shall have access to the Contract Area covered by this Contract and to the operations conducted therein. Minister Representatives may examine the books, registers and records of Contractor and make extracts there from, surveys, drawings and tests for the purpose of observing the proper implementation of this Contract.
- (2) Minister Representatives shall for this purpose be entitled to make reasonable use of the machinery and instruments of Contractor. Minister Representatives shall be given all assistance by agents and employees of Contractor. Contractor shall offer Minister Representatives all privileges and facilities accorded to its employees, agents and Contractors and shall provide them, free of charge, with the use of office space and of adequately furnished housing while they are in the field for the purpose of achieving the objectives of this Article.

ARTICLE XVII
EMPLOYMENT AND TRAINING OF SOUTH SUDANESE NATIONALS

- (1) It is the desire of NP and Contractor that operations hereunder be conducted in a businesslike manner.

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- (2) The expatriate administrative, professional and technical, personnel employed by Contractor and the personnel of its sub-Contractors for the conduct of the operations hereunder, shall be granted such entry, work and residence permits as may be required without prejudice to the South Sudan Laws and regulations relating to public policy or public security and the approval of the Minister, which approval shall not be unreasonably withheld.
- (3) Contractor shall select its employees and determine the number thereof, to be used for operations hereunder.
- (4) Contractor shall, from Effective Date and upon consultation with NP prepare and carry out specialized training programs for all qualified South Sudanese employees engaged in operations hereunder with respect to applicable aspects of the petroleum industry. On-the-Job training is to be a significant part of the training program. Contractor will undertake to replace gradually its expatriate staff by qualified nationals when they become available.
- (5) Contractor will not hire unskilled labour from outside the South Sudan as expatriate employees.
- (6) Contractor agrees to a goal of having the following proportion of South Sudanese nationals, excluding unskilled labour, in its employees in the South Sudan:
 - (a) after 5 years from the Effective Date 25%
 - (b) after 10 years from Discovery Date 50%

In the event that the Contractor is unable to meet these goals, a detailed report will be submitted to providing evidence of reasons why the goals were not met. If Contractor fails to reach the goals stated above, Contractor shall pay one % (1) from monthly salary fund of Contractor personnel as compensation fee.
- (7) The salary structure shall be based on the principle of equal pay for equal jobs regardless of the nationality of the respective personnel.

ARTICLE XVIII
LAWS AND REGULATIONS

- (1) Contractor, its agents and sub-Contractors shall observe, comply with and abide by the Act and the Rules and South Sudan's Laws and regulations, including, but not limited to, regulations for the safe and efficient performance of operations required to carry out this Contract, regulations for the protection of the environment, sanitary regulations for the conservation of petroleum and natural resources of South Sudan, prevention of pollution, security and employment laws and regulations. If and as long as national legislation on such matters does not exist, international standards shall apply.

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- (2) Contractor shall not directly or indirectly or in any way whatsoever engage in any transaction prohibited by law.
- (3) The interest, rights and obligations of the Government, the Minister, NP and Contractor under, and for the effective term of this Contract, shall be governed by the provisions of this Contract and shall only be altered by mutual written agreement of the parties hereto.
- (4) Government shall use its authority and take all necessary action to promote and facilitate the operations whenever possible.

ARTICLE XIX
RIGHT OF REQUISITION

- (1) In case of national emergency and throughout its duration, but no longer, the Government may requisition all or part of the production obtained from the Contract Areas hereunder and/or require Contractor to increase such production to the maximum. The requisition shall be up to the maximum required for local consumption and Government shall in this case first use any NP Profit Oil and NP Profit Gas in order to satisfy the requisition requirements and any amounts required from the Contractor shall therefore only be for any local consumption not covered by NP Profit Oil and NP Profit Gas.
- (2) In all cases requisition shall not be effected except after notifying Contractor or its representative in writing by the Minister.
- (3) The requisition of production shall be effected by Ministerial order.
- (4) In the event of requisition, the Government shall pay Contractor, for the period during which requisition is maintained, all Cost Oil and Cost Gas and Contractor's share as provided in Article VII hereof. Payment shall be made in United States Dollars to Contractor's account maintained outside the South Sudan. Payment for all requisitioned Cost Oil and Cost Gas and Contractor's share as provided in Article VII shall be made on the due dates for payment for the production if it were not requisitioned. The price of Petroleum requisitioned shall be determined in accordance with Article XXXIV.
- (5) The Government guarantees that a temporary requisition shall not be a ground for a permanent nationalization, expropriation or confiscation of Contractor's assets and/or Contractor's share of oil and gas production and/or related facilities.

ARTICLE XX
SERVICES, PURCHASES AND CONTRACTS

- (1) In disposing of Petroleum, Contractor shall give first priority to local demand on a pro rata basis to other producers of Petroleum in the South Sudan. To this and Contractor shall from the Commencement of Commercial Production comply with any request from NP to sell Petroleum for local consumption in

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the South Sudan, over a period, and in such type, grade, quantity and quality to be determined by NP.

- (2) Contractor shall sell Crude Oil and Gas to all purchasers, including Government and affiliate companies, at prices not lower than the competitive international prices for oil or gas of the same grade, gravity and quality at the time of each sale on a net-back basis to the sales points in South Sudan. Contractor shall furnish the Minister and NP with all evidence and information pertaining to such sales including, the contract or contract of sale, a statement of the quantities sold including a detailed description, an indication of the purchasers and countries of destination, per unit price realized F.O.B. at the Point of export from South Sudan and a statement of the prevailing international prices.
- (3) With respect to any purchase, sale, or delivery pertaining to Petroleum Operations, it is agreed that all commissions, brokerage, fees, allowances or other similar fees shall in no event be allowed if internationally efficient operating petroleum companies are capable to undertake such purchase, sale or delivery by their own means. Without prejudice to the aforementioned in this paragraph (3), the commissions, brokerage fees, allowances and other considerations or compensation therefore, if allowed, shall in no event be higher than the local or the international rate, as the case may be.
- (4) Contractor shall not obtain from any Affiliated Company or any other person or entity any services, assistance, advice or know-how save those an efficient operating petroleum company internationally and in the normal conditions of things provide for itself. Contractor shall pay for such services, assistance, advice or know-how only on an actual, direct, fair and reasonable cost-reimbursable basis which shall in no case be higher than international prices.
- (5) Minister shall promptly be fully furnished with all information and evidence relating to the purchase, sale, delivery, service, assistance and advice referred to in paragraphs (3) and (4) above.
- (6) Contractor shall give priority to local Contractors as long as their terms and conditions are competitive with those of other Contractors tendering for work related to Contractor's operations.
- (7) Contractor shall give preference to locally manufactured materials, equipment and consumables which are available in the local market and comparable in quantity and quality and price to goods to be imported by Contractor.
- (8) Contractor may utilize the services of South Sudanese airlines or agencies thereof for passenger and cargo air transportation, provided such services are reasonably competitive in price and quality to the services otherwise available.
- (9) All procurement of equipment, facilities, goods, materials, supplies and services required for Petroleum Operations shall be on a arm's-length-basis and shall, unless otherwise approved by NP or the Minister, be obtained as a result of competitive bidding. Contractor shall provide the Minister with the proposed shortlist in each case of closed tendering for approval within ten

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days after closing the tendering, if the estimated value of the tender is more than US\$ one Million (\$ 1,000,000).

- (10) All contracts in the value of more than one hundred US\$ (\$ 100,000) to be entered into by the Contractor shall be submitted to the Minister for review and approval, as the case may be.
- (11) Contractor shall furnish the Minister with copies of all contracts entered into, within ten days after signature thereof.
- (12) All contracts to be entered into by the Contractor shall be done under the Act of Registration and Qualification of the South Sudan.

ARTICLE XXI
HEALTH, SAFETY, MEDICAL AND EDUCATIONAL SERVICES

- (1) Contractor shall install, maintain and use modern health and safety devices and shall practice modern health and safety procedures and precautions (including safety training instructions for its employees) in accordance with the best practices. Contractor shall comply with all written instructions as may, from time to time, be given by the Minister.
- (2) Contractor shall from Effective Date furnish free medical treatment, care and attention to all employees of Contractor and NP employees directly working in the Petroleum operations of the Contract Area in which Contractor is conducting operations, and their respective spouse and children and shall establish, staff and maintain such dispensaries, clinics or hospitals which prudence shall require under the circumstances. Without limiting the generality of the foregoing, whenever Contractor employs one hundred (100) or more persons in any one region or work site, it shall maintain there a dispensary or hospital headed by a resident medical doctor.
- (3) Contractor shall notify the Minister immediately of any death of or injury to any person or outbreak of any disease in any area in which Contractor is conducting operations.

ARTICLE XXII
ASSIGNMENT AND SEVERAL PARTIES

- (1) Except as provided herein, Contractor shall not assign or transfer in whole or in part to any person, firm or corporation any of its rights, privileges, duties or obligations under this Contract or mortgage, pledge or otherwise encumber an interest herein without, the prior written consent of NP, which consent shall not be unreasonably withheld. NP shall either grant or refuse to grant his consent within sixty (60) days of submission by the Contractor of a request for assignment.
- (2) No holder of any shares or other equity interests in a legal entity that is included within the definition of "Contractor" under this Contract, shall assign or transfer, in whole or in part, to any person, firm or corporation, any of the

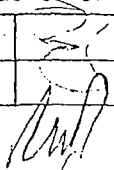

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shares or other equity interests in such party, or mortgage, pledge or otherwise encumber the shares or other equity interests in such party without the prior written approval of the Minister, which approval can only be withheld for good reason. The Minister shall either refuse or grant his approval within sixty days of submission of the request by Contractor.

- (3) Upon the consent of NP to any assignment Contractor shall within ninety (90) days submit to NP every executed and delivered instrument of assignment.
- (4) The instrument of assignment shall contain a valid and binding undertaking of the assignee to be bound by all covenants, terms and conditions of this Contract and any modifications and additions thereto that up to such time have been made.
- (5) If more than one company or entity is Party to this Contract and included within the definition of "Contractor" in the Contract, the liabilities and obligations of such companies and entities hereunder shall be joint and several, and the failure of one of such Parties to perform its share of the obligations in the Contract shall not relieve any other such Party or Parties of its or their obligations to perform fully all of the Contractor's obligations pursuant to the terms of this Contract, which obligations shall include, without limitation, the obligation to continue and to prevent any interruption in the Petroleum Operations from occurring during the period of any such failure to perform by another Party.
The provisions of this clause shall not relieve the Party failing to perform of any liabilities to the NP or the other Parties hereto that such defaulting company or entity may have as a result of its failure to perform its obligations under this hereunder, including any claims for losses or damages to the NP, excluding any claims for consequential or punitive damages.

ARTICLE XXIII
FORCE MAJEURE

- (1) Failure of either party to perform or comply with the conditions of this Contract shall not be a ground for cancellation or give NP or the Government any claim for damages insofar as such failure arises from an event or force majeure and the Contractor has taken all appropriate, precautions and reasonable alternative measures with the objective of avoiding such event and carrying out its obligations hereunder.
- (2) Contractor shall take all reasonable measures to cure such failure and to fulfil the terms and conditions hereof with a minimum of delay.
- (3) Contractor shall immediately and in any event not later than forty eight (48) hours notify the Minister of the occurrence of the event of force majeure and similarly notify the Minister of the restriction of normal conditions within the same period. Without prejudice to the provisions of Article XXIV, Contractor is bound to continue the performance of its obligations under this Contract.
- (4) For the purposes of this Article XXIII, force majeure shall include acts of God, fire, unavoidable accidents, acts of war, or conditions arising out of or

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attributable to war (declared or not declared), civil war, strikes, and other labour disturbances, transportation, embargo or blockade, floods, storms and other natural disturbances, insurrection, riots and other civil disturbances or any other cause not due to the fault or negligence of Contractor whether or not similar to those enumerated, provided that any such cause is beyond the reasonable control of the minister or Contractor and not due to the fault or negligence of either of them including any event caused by the failure to observe good and sound oil/gas field engineering and business practices or by the negligence of the Contractor, its employees, agents or sub-contractors.


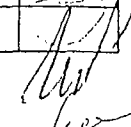
- (5) If as a consequence of force majeure, operations hereunder remain in substantially total suspension for a period of three (3) months, the term of this Contract shall be extended for the affected area by the time of such suspension or suspensions, provided however that if the duration of any such period of suspension shall exceed two (2) years, both parties shall promptly and without delay meet to agree on practical steps and measures to overcome or resolve the force majeure situation or to mitigate its consequences to the minimum. Failing such practical steps, either party may terminate this contract wholly or in part in respect of the affected areas but without prejudice to the right of the other party to claim reasonable damages whenever justified or seek any other legal remedy.
- (6) The Government shall incur no responsibility whatsoever to Contractor, its employees, agents or sub-Contractors for any damages, restrictions or loss arising in consequence of such event of force majeure.
- (7) Payments of surface rentals and training shall not be affected by any events of force majeure.

ARTICLE XXIV
SETTLEMENT OF DISPUTES

- (1) Any dispute or difference arising between NP or the Government and Contractor in connection with, arising out of, in conjunction with or incidental to this Contract or with respect to the interpretation, application or execution thereof shall in the first place be settled amicably. Failing such settlement it shall finally be settled by arbitration.

In such event, NP or the Government and Contractor hereby consent to submit all and any of such disputes or differences to the exclusive jurisdiction of a panel of three arbitrators that shall hold the proceedings and take the decision in accordance with the rules of the International Chamber of Commerce (ICC), Paris, as in force at the date of these proceedings, excluding ordinary proceedings.

- (2) The decision of the arbitration panel shall be taken by majority decision and shall be conclusive, final and binding among the parties hereto.
- (3) The arbitration panel shall consist of three (3) arbitrators that shall be appointed as follows:

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- (a) Each Party shall appoint one (1) arbitrator and so notify the other Party of such appointment and those two (2) arbitrators shall by unanimous decision appoint the third arbitrator;
 - (b) If any of the arbitrators is not appointed within thirty (30) days after receipt of written request to do so, either Party may request in writing the President of the Chamber of Commerce Zurich, Switzerland, to appoint the arbitrator(s) not yet appointed and to designate an arbitrator to be the President of the arbitral tribunal. The President shall forthwith send a copy of that request to the other Party. The President shall comply with the request within thirty (30) days from the receipt thereof or such longer period as the Parties may agree;
 - (c) If the arbitrator fails or is unable to act, his successor shall be appointed in the same manner as the arbitrator whom he succeeds;
- (4) The arbitration panel shall also be entitled to decide on the validity of this arbitration clause.
 - (5) The arbitration proceedings will be held in Zurich, Switzerland.
 - (6) The Parties hereto agree on the English language as the language applicable to the arbitration proceedings.
 - (7) The full and final consent to arbitration expressed herein shall equally bind any transferee in interest of any of the parties to this Contract.
 - (8) The Parties undertake to comply with any provisional measures recommended by the tribunal.
 - (9) The Parties shall extend to the arbitral tribunal all facilities (including access to Petroleum Operations) for obtaining any information required for the proper determination of the dispute.
 - (10) The operations and activities under this Contract or which have given rise to arbitration shall continue during the arbitration proceedings.
 - (11) Judgement of any arbitral award may be entered in any court having jurisdiction for enforcement.

ARTICLE XXV
NP RIGHT TO TERMINATE

- (1) NP shall have the right to terminate this Contract if Contractor does not furnish the Corporate Guarantee specified in Article II (1) (d) within a reasonable period of time after the Effective Date.
- (2) NP may by notice terminate this Contract and claim damages for important reason, especially, without limitation, if any of the following events occurs:

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- (a) If Contractor has failed to make any of the payments under this Contract on the due dates or has failed to comply with any other conditions of this Contract and such default is not cured within ninety (60) days after notice by NP or within such longer period as may be specified in the notice.
 - (b) If Contractor has voluntarily dissolved, liquidated or wound up its affairs, or has made an assignment for the benefit of creditors or has petitioned or applied to any tribunal for the appointment of a trustee or receiver for itself, or of any substantial part of its assets or has commenced any proceedings relating to it under any bankruptcy, organization, arrangement, insolvency or readjustment of debt or if any order to that effect is issued or an application is filed and Contractor has consented or acquiesced thereto.
 - (c) If Contractor has failed to comply with any final judgment of a competent court in relation to this Contract or with any final decision of an arbitral tribunal constituted hereunder.
 - (d) If the Contractor has knowingly made a false statement or representation to NP or the Minister.
 - (e) If Contractor has assigned any interest, duty, right or obligation under this Contract contrary to provisions of Article XXXI hereof, and such default is not cured within sixty (60) days after notice by NP or within such longer period as may be specified in the notice.
 - (f) If Contractor has extracted any mineral other than Petroleum without the prior written consent of the Minister, except such extracts as may be unavoidable as a result of, operations conducted hereunder with accepted petroleum industry practices and which promptly and in due time are notified to the Minister or his duly authorized representatives.
- (3) Termination shall take place without prejudice to any right, which may have accrued to NP under the Contract before or after such termination. Upon termination by NP every right of Contractor hereunder shall cease except its right to remove its belongings from the Contract Area after settling all claims due to the Government. Contractor shall not be relieved of its obligations which have accrued prior to the effective date of or arising out of or related to the termination.

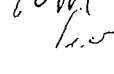
ARTICLE XXVI
GOVERNING LAW AND JURISDICTION

- (1) Subject to Article XXIV, this Contract shall be governed by and construed in all respects in accordance with South Sudan Laws and Regulations, and to be supplemented by standard customs and usage in the international petroleum industry and such accepted principles of international law as may be applicable. Government acknowledges that Contractor has entered into this Contract in reliance on the Act, Rules, laws, decrees, and regulations of South Sudan as they exist on the Effective Date, and NP and the Government

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hereby confirm that all rights granted to Contractor hereunder are in conformity with the Act, Rules, laws, decrees and regulations.

- (2) During a transitional period of maximum six years, starting on July 9th, 2005, the German Civil Code ("Bürgerliches Gesetzbuch") and the German Commercial Code ("Handelsgesetzbuch") apply. They will be replaced by comparable laws of the South Sudan, to the extent that and as soon as such laws come into effect, and such laws will then apply exclusively. The transitional applicability terminates the latest, upon expiration of the transitional period.
- (3) In the event that any change in the laws, decrees, rules or regulations of South Sudan occurs subsequent to the Effective Date hereof, which materially restricts, divests or limits any rights or benefits accruing to Contractor or which materially increases Contractor's financial obligations under this Contract or under laws, decrees, rules or regulations of South Sudan as in existence on the Effective Date hereof, such change shall be applicable to the Contractor.
- (4) For purposes of the above paragraph, a material increase in the South Sudanese tax burden, including the imposition of an oil export tax, which is not of general application, levied on Contractor and sub-Contractors, shall be treated as a material increase in Contractor's obligations.
- (5) Promptly upon receipt of such notice, NP and Contractor shall meet to negotiate, in good faith, and agree upon modifications which need to be made to the terms of this Contract to restore Contractor's economic rights and benefits hereunder to a level equivalent to what they would have been, had such change not occurred, or upon such other remedies they agree may be appropriate. In the event that the Parties are unable to agree within ninety (90) days after Contractor's notice to the NP (i) whether a material change to the law decrees, rules or regulations of South Sudan has occurred subsequent to the Effective Date which materially restricts, divests or limits any rights or benefits accruing to Contractor or which materially increases Contractor's financial obligations as aforesaid or (ii) upon the modifications which may be needed to the Contract or upon such other remedy as may be required then either Party may refer the matter(s) in dispute for determination pursuant to Article XXIV. The arbitrators, in such event, shall be empowered to determine whether a material change in conditions has occurred and the modifications, if any necessary to the Contract to restore Contractor's economic rights and benefits to a level equivalent to what they would have been, had such change not occurred.

ARTICLE XXVII
CONVENTIONS, CONTRACTS AND GOVERNMENT CONTRACTS

This Contract shall not be construed so as to impose on the Government any obligation which conflicts with any obligations imposed on it by any convention by which the Government is bound, nor shall it, subject to Article XIV hereof, prejudice or constitute a derogation from any rights or privileges created by any contract or

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contract, other than the Production Sharing Contract covering the Contract Area under this Contract by which NP and the Government is bound.

ARTICLE XXVIII
NON-WAIVER

The failure of either party at any time to require performance by the other party of any provisions hereunder shall in no way affect the right of that party thereafter to enforce the same nor shall it affect that party's right to enforce any of the other provisions of this Contract; not shall the waiver by either party of the breach of any provisions hereof be taken or held to be a waiver of any subsequent breach of such provision or as a waiver of the provision itself.

ARTICLE XXIX
RULING LANGUAGE

All communications under this Contract (as defined in Article XXXIII hereof) shall be made in the English language which shall be the ruling language of this Contract.

ARTICLE XXX
HEADINGS AND TITLES

The headings and titles of Articles of this Contract are solely made for the convenience of the parties hereto and shall not be used with respect to the interpretation or construction of the said Articles.

ARTICLE XXXI
AMENDMENT, MODIFICATION AND REVISION

- (1) This Contract and the rights thereby granted and obligations therein stipulated may be amended, modified or revised by the mutual Contract of NP and Contractor. Such amendments are to be in writing signed by both parties.
- (2) All parties explicitly state herewith that no other contract or contracts and/or side letters or addenda exist in respect of any of the contract mentioned herein.
- (3) All terms and conditions out of this contract and all other information hereto shall at all times be held in confidence and the parties involved in this contract agree not under any circumstances to discuss, to inform others, make publicly known or privately in any way disclose any information related to this contract.

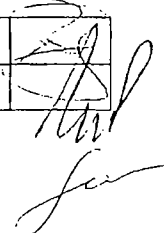
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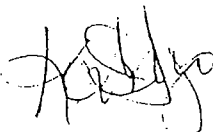
ARTICLE XXXII
GAS

- (1) If Gas is produced or capable of being produced from the Contract Area, NP and Contractor shall in good faith study all possible economic alternatives for its use and decide on the best alternative for NP and Contractor including its local exploitations industries and otherwise.
- (2) The cost and expense of producing associated and non-associated gas shall be recovered in accordance with the cost recovery principles of Article VII. Article VII shall apply to the value of associated and non-associated gas if sold and not used in operations, flared or reinjected. Associated and non-associated gas not exported or used in operations or flared or reinjected or sold shall remain the property of the Government.
- (3) Should Contractor or NP develop a market for associated and non-associated gas in South Sudan and/or other countries, Contractor and NP shall promptly meet and consult for the purpose of agreeing to and forming a joint venture or joint operation agreement to market such gas. All risk, cost, and expense including capital expenditure and operating expenses required to gather such gas in the field at the point of being flared and to treat, compress and transport it to point or points of sale shall be the responsibility of the joint venture if formed. For the purpose of this Article „associated gas” means natural gas which is produced in association with Crude Oil from wells located in the Contract Area and covered by this Contract. Non-associated gas means gas which is not produced in association with Crude Oil.

ARTICLE XXXIII
WORK PROGRAMS, BUDGETS AND APPROVAL PROCEDURES

- (1) Contractor shall submit for the approval of the Minister within four (4) weeks from the Effective Date, the first Work Program and budget setting forth the Petroleum Operations which Contractor proposes to carry out and initiate for the first Financial Year. By that time the Contractor should also submit a bank letter confirming that the Contractor is financially able to fulfill its obligations under that Work Program. For the subsequent Financial Years, Contractor shall submit before 1st October of each Financial Year for approval of the Minister, a Work Program and budget setting forth the Petroleum Operations which Contractor proposes to carry out and initiate during the next Financial Year.
- (2) Each activity, namely Exploration/Appraisal, Development and production shall have its own Work Program and budget. Each Work Program and budget shall set out in detail for each Quarter period all aspects of the proposed Petroleum Operations to be carried out including all relevant data and information and estimated costs, duration of each operation for each project and the estimated monthly rate of production of Crude Oil and Natural Gas. Such Work Program shall also include measures to be taken to comply with the Work Obligations of Contractor.

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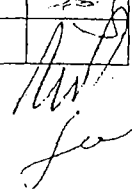


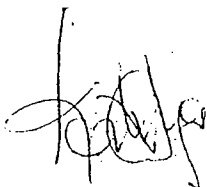

Each Work Program and budget shall include forecast of Yearly activity for the four (4) Year period following the end of the relevant Financial Year or the period up to termination of the Contract, whichever is shorter.

- (3) No Petroleum Operations shall be carried out unless and until the relevant Work Program and budget have been approved in writing by the Minister. The Minister shall notify Contractor of its approval (whether or not conditional) or otherwise, of a proposed Work Program and budget,
- (a) within thirty (30) days of receipt of the first Work Program and budget;
 - (b) by 31st December of the previous Year, in respect of each subsequent Work Program and budget.
- (4) The Minister may give notice to Contractor that a proposed Work Program and budget submitted by Contractor is approved subject to such conditions as the Minister may specify in such notice or may give Contractor notice that a proposed Work Program is to be revised either in whole or in part. If Contractor considers that any revision required by the Minister renders the Work Program and budget non-commercial, Contractor shall within fifteen (15) days to notify the Minister of its reasons for coming to such a decision. Thereupon, the Minister and Contractor shall meet and discuss the revision required by the Minister with a view to resolving any differences. If the Parties fail to resolve their differences within thirty (30) days from the date of the first of such meeting then, notwithstanding the foregoing, the Minister may direct Contractor to incorporate the revisions required by the Minister into the proposed Work Program and budget submitted by Contractor under this Article provided, however, that such change shall not increase or decrease the budget as proposed by Contractor of any affected expenditure item by more than five per cent (5%) and does not substantially alter the general objectives of the Work-Program in accordance with the Minimum Work and Expenditure Obligations for the Exploration Period and/or the agreed Development plan.
- (5) It is recognized by the Minister and Contractor that the details of a Work Program may require changes in the light of changing circumstances; thus Contractor may without the prior approval of the Minister, yet duly informed, make minor changes which shall be deemed as part of the approved Work Program and budget provided that such changes in budgeted items shall not increase or decrease the approved budget for any affected expenditure item by more than ten per cent (10%) and do not substantially alter the general objectives of the Work Program.

ARTICLE XXXIV
VALUATION OF CRUDE OIL

- (1) It is the intent of the Parties that for the purposes of the valuation of Crude Oil to determine the value of Cost Oil under the Contract, the prevailing market price for Crude Oil, net of transportation tariff, shall be the basis as further elaborated below.

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- (2) For the purposes of determining the value of the quantity of net adjusted production of Crude Oil allocated as Cost Oil pursuant to Article VII in each Quarter, the Crude Oil Price expressed in U.S. Dollars per Barrel at the Intake Point of the transportation system (hereinafter referred to as "Net-back Crude Oil Price") for the said Quarter shall be used.
- (3) The Net-back Crude Oil Price for each quality of Crude Oil during any Quarter shall reflect the prevailing market price F.O.B export Delivery Point expressed in U.S. Dollars per Barrel (hereinafter referred to as "Export Crude Oil Price") for that quality of Crude Oil for such Quarter, net of transportation tariff for delivery using the Transportation System to the export Delivery Point. Accordingly,

Net-back Crude Oil Price = [Export Crude Oil Price] minus [Tariff]

where: "Tariff" shall refer to the transportation tariff in U.S Dollars paid or payable for each Barrel of Crude Oil lifted at the export Delivery Point in accordance with the provisions of the Crude Oil Pipeline Agreement (to be entered into when applicable).

Where, as a result of the transportation and delivery arrangement pursuant to Article XXXV, the quality (API grade, sulfur and other constituents) of Crude Oil lifted by Contractor is significantly different than the quality of Crude Oil produced under the Contract due to the commingling with other crude oil in the Transportation System, and if any compensatory quality differential price adjustment is either received or paid by Contractor, as the case may be, in accordance with any mechanism provided for in the transportation agreement (to be concluded in the future), such quality differential price shall be applied to the Export Crude Oil Price before determining the Net-back Crude Oil Price.

- (4) The Export Crude Oil Price in any Quarter for each quality of Crude Oil produced under the Contract shall be the weighted average price actually realized F.O.B Delivery Point expressed in U.S. Dollars per barrel for all cargoes delivered during such Quarter by both Government and Contractor to third parties in arm's-length export-sales (excluding barter trade) and shall be determined in the following manner:
 - (a) Within ten (10) days following the end of each Quarter, the Parties shall exchange reports summarizing the actual sales realized in the said Quarter to third parties in arm's-length export-transactions. The report shall be substantiated with full supporting documentation, including copies of relevant commercial invoices, for each cargo together with pricing, payment terms, receipts and detailed price calculations.
 - (b) Following the exchange of information, the Parties shall agree on the Export Crude Oil Price, failing agreement, Minister and Contractor shall meet, within ten (10) days of the aforesaid exchange of information, to discuss and to endeavour to establish together the Export Crude Oil Price by reference also to prices of other crude oils which were sold on the export market on arm's-length-transactions between willing sellers and willing buyers during the same period, taking into account similar grade, quality, geographical area, sales terms and similar quantity.

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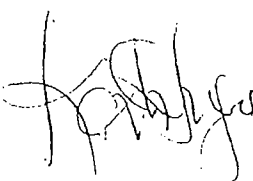
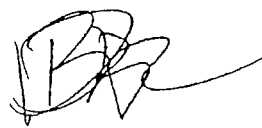
 

- (5) If during any Quarter no volume of Crude Oil is disposed of by Minister or Contractor in arm's length transaction on the export market, then Minister and Contractor shall meet to mutually agree upon the Export Crude Oil Price to be used for such Quarter, taking into account prevailing market prices for crude oils of similar grade, quality, quantity, sales terms and similar geographical market during that period and in accordance with the procedures stipulated in sub-paragraph 4 (b), above. Pending such mutual agreement the price used shall be the last price determined pursuant to paragraph 4, or under this paragraph 5, whichever is the later, and appropriate adjustment shall be made thereto after mutual agreement on the Export Crude Oil Price has been reached by the Minister and Contractor.
- (6) It is understood that Contractor shall confirm with the Minister or Minister Representative to:
- (a) Follow up of the export quality;
 - (b) Provide market studies and outlet forecast in the various market areas; and
 - (c) Furnish any other information concerning the Crude Oil market conditions.
- (7) Any quantity of Crude Oil that Government wishes to purchase from Contractor's share of Crude Oil shall be valued in accordance with the provisions of paragraph (3).
- (8) In the application of this Article for the valuation of Crude Oil, the Export Crude Oil Price shall be determined before deduction of any taxes, commissions, brokerage, or discounts and with due allowance for any differences in credit terms (whether term spot sales).

ARTICLE XXXV
MEASUREMENT, TRANSPORTATION, DELIVERY AND LIFTING OF CRUDE OIL

- (1) Crude Oil
- (a) The volume and quality of Gross Production of Crude Oil shall be measured at the Production Measurement Point "PMP", also referred to as "Intake Point").
The Contractor shall install, maintain and operate all facilities necessary for the transportation and delivery of the said Crude Oil to the Intake Point, including facilities for metering such Crude Oil at the PMP.
 - (b) The volume and quality of Crude Oil delivered to the Contractor and Government shall be measured at the Delivery Measurement Point "DMP".

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- (c) The transportation of Crude Oil from PMP to DMP shall be carried out by a transporter, under the terms of the Transportation Agreement. The transporter shall install, maintain and operate the necessary downstream facilities from PMP to DMP, including facilities for metering the Crude Oil at the DMP.
- (d) Methods and procedures for measurement of volume and quality of Crude Oil at both the PMP and DMP shall be as per the Transportation Agreement, to be signed between the Parties and transporter.
- (e) The Parties shall pay a tariff, to be agreed upon and defined in the Transportation Agreement, based on the volume of such Crude Oil metered at the DMP.
- (f) The volume and quality of Crude Oil to be delivered to the Contractor under the Contract shall be determined in accordance with the provisions of Articles VII and XXXV, and the Accounting Procedures as set forth in Annex C and such deliveries to the Contractor shall be at the export Delivery Point.
- (g) The Crude Oil deliveries to be lifted or taken by the Contractor and Government during a given Year shall be provisionally calculated during the first fortnight of the month of December preceding the Year concerned on the basis of factors defined by the Parties under the terms of Articles VII. Before the end of every Quarter of the Year involved, these quantities shall be readjusted in relation to the final data supplied and approved by the Parties. Before the end of the first Quarter following the Year involved, the quantities due to the Contractor and Government for the said Year shall be finally approved. Readjustments which may be made shall apply to the quantities of crude oil to be lifted immediately after.
- (h) Title to Crude Oil, delivered to the Parties, under the Contract together with the corresponding risks, shall pass to the Parties at the Intake Point.

(2) Measurement



- (a) Contractor in consultation with the Minister, shall in accordance with good and sound oil and gas industry practice, prepare, not less than ninety (90) days prior to the beginning of each Year following regular production, and furnish in writing to the Minister a forecast setting out the total quantity of Petroleum that Contractor estimates can be produced, saved and transported hereunder during each Quarter, which shall be subject to the Minister final approval. Contractor shall use the best oil and gas field and business standards and practices to produce the forecast for each Quarter.
- (b) All Crude Oil produced shall be accurately metered for purposes required by the Contract. Measurement shall be conducted in the following manner:

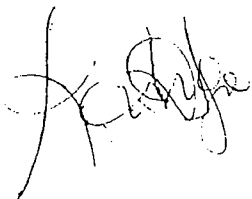
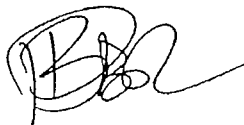
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- (aa) Contractor shall, in the presence of Minister Representatives, measure all Crude Oil produced and saved using the international standard measurement methods and good and sound oil and gas field devices. Minister Representatives shall examine and test whatever appliances are used therefore. If upon such examination or testing any such appliance shall be found to be out of order or defective in any way, the Minister may require that the same be put in order or replaced by Contractor, and if such request is not complied with in the time specified, the Minister may cause the said appliance to be put in order or replaced and may recover from Contractor all expenses arising there from or incidental thereto. If upon such examination, as aforesaid, any error shall be discovered in any such appliance, such error shall be deemed to have existed for three (3) calendar months prior to its discovery or from the date of the last examination and testing whichever occurred most recently and in that event the quantity shall be adjusted accordingly.
- (bb) If Contractor desires to adjust, repair or replace any measuring appliance, it shall give reasonable notice to the Minister or the duly authorized representative of the Minister to enable him to be present during such operations.
- (cc) Contractor shall keep full and correct accounts for all Petroleum measured as aforesaid and the duly authorized representatives of the Minister shall have access at all times to the books of Contractor containing such accounts and may make excerpts therefrom. Contractor shall quarterly and annually submit to the Minister abstracts of such accounts in due time which shall in no event exceed one (1) month.
- (dd) Such accounts shall be prepared in accordance with the laws and regulations of the South Sudan.

(3) Lifting

- (a) Subject to the provisions of the Contract Parties shall have the right to separately take, lift and export all of the Crude Oil and Gas to which it is entitled as determined by Article VII, free from all duties (excluding port duties at marine terminal) and taxes as well as all petroleum tax fund repatriation obligations, and to retain abroad all funds acquired by it including the proceeds of the sale of its share of exported Crude Oil and Gas.
- (b) Whenever Contractor offers a price equivalent to the highest bid made by a third party or company dealing at arm's length with regard to terms and price for any part of the Crude Oil and Gas which the Government intends to sell, Contractor shall be allowed to purchase such Crude Oil and Gas at the said highest bid, provided that the terms of purchase offered by Contractor are in the opinion of the Government better than the terms offered by other bidders and

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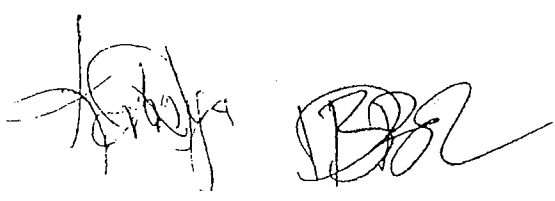
provided further that the option to purchase shall not be exercised except within the limit of the tender and that it shall not apply to more than 50% of the Government's share of export Crude Oil and Gas produced in any Financial Year under the Contract.


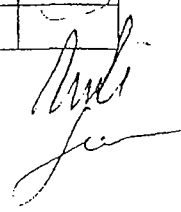
- (c) At a reasonable time prior to the first Commercial Production, the Parties shall agree on scheduling tanker lifting from the export delivery point.

ARTICLE XXXVI
NOTICES AND REQUESTS

- (1) All notices, requests, reports, approvals, consents, designations or other communications collectively referred to herein as "communications" required by, provided for, relative to, or permitted to be given under this Contract, shall be made in writing and in the English language. All communications shall be delivered, in the case of the Government to the Minister or such other duly authorized representative or agency of the Government as may one designated in writing by the Minister, in the case of NP to such duly authorized representative of NP and in the case of Contractor to the office of the Manager in South Sudan. A delivery of communication shall be deemed effective when delivered to the addresses shown in paragraph (3) below or any other address which either party may otherwise duly designate to the other party.
- (2) Nothing in this Article shall be deemed to relieve Contractor from filing any report, return or other communication required by the Act, the Rules and other South Sudan Laws and Regulations at the time and in the manner therein prescribed.

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(3) The address of the Minister shall be:

Kinga George Longokwo
P.O. Box 39892
00200 Nairobi, Kenya
Phone: +254 20 574814
Fax: +254 20
E.Mail: ghirghis.kenga@yahoo.comuk


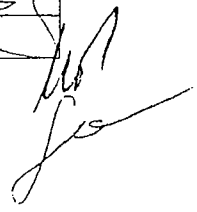
(4) The address of NP shall be:

Bullen A. Bol
P.O. Box 39892
00200 Nairobi, Kenya
Phone: +254 723403101
Fax: +254 20
E.Mail: ghirghis.kenga@yahoo.comuk

(5) The address of the Contractor shall be:

SET Energy GmbH	Industrial & Financial Group ASCOM
Mr. Rüdiger Bohlen	Mr. Anatol Stati
ABC Strasse 19	18. Renasterii blvd.
20354 Hamburg, Germany	Chisinau MD-2005, Republic of Moldova
Phone: +49 40 441800-0	+373 22 244487
Fax: +49 40 453231	+373 22 242792
E-Mail: office@set-energy.com	info@ascom.md

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IN WITNESS WHEREOF, the parties hereto have caused this Contract to be signed and executed by their legally authorized representatives in four original copies the day and year first above written.

For the NP:

For the Contractor:

Executed ON 28TH JUNE 2005
Place and Date

Executed NAIROBI, JUNE 28, 2005
Place and Date

BULENA BOZ
Name

ANDREAS BERNHARD VON LANGERHANS
Name

[Signature]
Signature

[Signature]
Signature

For the Government:

For the Contractor:

Executed 28-6-2005
Place and Date

Executed Nairobi, June 28, 2005
Place and Date

[Signature]
Name

Stati Anatolie
Name

[Signature]
Signature

[Signature]
Signature

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NP		SET	<u>[Signature]</u>
ASCOM			<u>[Signature]</u>

[Signature] [Signature]

[Signature]

ANNEX A

DESCRIPTION OF THE CONTRACT AREA <<< X >>>

BLOCK (<< >>>)

AREA: Square Kilometers
 Square Miles

CORNER	CLARK		WGS							
	LONGITUDE	LATITUDE	LONGITUDE			LATITUDE				
			D	M	S	D	M	S		

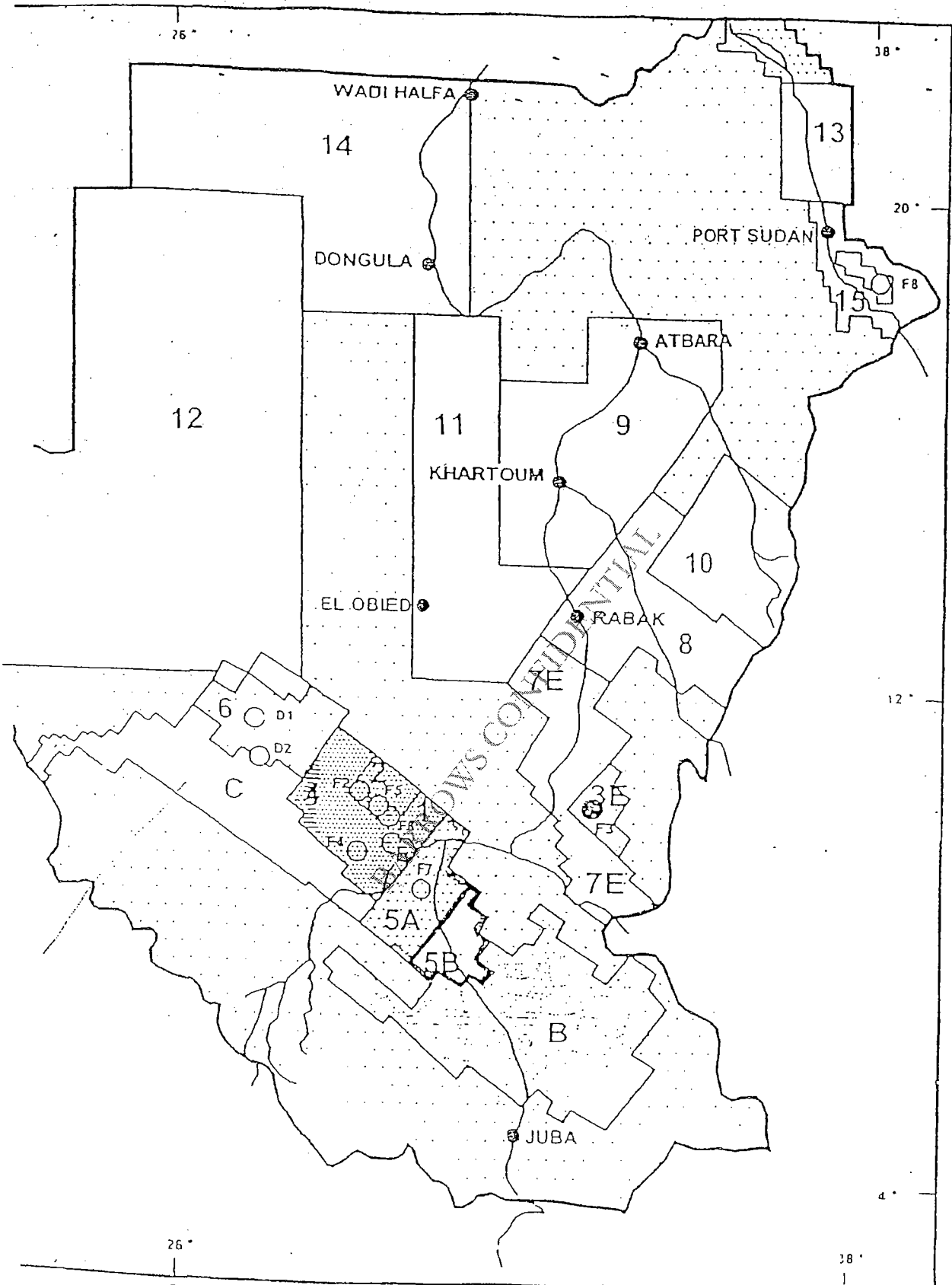
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Concession areas for oil exploration in the Sudan

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ANNEX C


ACCOUNTING PROCEDURE

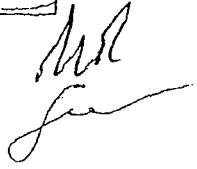
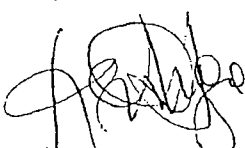
Attached to and made an integral part of the Exploration and Production Sharing Contract.

(1) Provisions /Definitions:

The definitions contained in Article I of the Production Sharing contract shall apply to the Accounting Procedure and have the same meaning.

- (a) Precedence of Documents. In the event of any inconsistency or conflict between the provisions of this Accounting Procedure and the provisions of the Contract treating the same subject differently, then the provisions of the Contract shall prevail.
- (b) Revision of Accounting Procedure. By mutual Contract between the Minister and Contractor, this Accounting Procedure may be revised from time to time.
- (c) Statements of Activity. Contractor shall, pursuant to Article IV of the Contract, render to the Minister within forty five (45) days of the end of each calendar quarter a statement of Exploration operations and a statement of Development operations reflecting all charges and credits related to the operations for that quarter summarized by appropriate classifications indicative of nature thereof.
- (d) Audit Rights. All statements for Exploration operations and Development operations for any Calendar Year shall be presumed to be true and correct twenty-four (24) months following its submission unless within the said twenty-four (24) month period the Minister takes written exception thereto. Pending expiration of said period the Minister shall have the right to audit Contractor's accounts, records and original supporting documents for such period.
- (e) Books and Record. Contractor's original books for Petroleum Operations shall be kept in the South Sudan. All such books shall be kept in United States Dollars.
- (f) Currency Exchange. All South Sudanese currencies expenditures shall be translated to United States dollars at the official buying rate of exchange issued by the Bank of Sudan daily, and all other Non-United States dollars at the buying rate of exchange for such currency as quoted by the National German Bank, Frankfurt at 10:30 a.m. local time, on the day in which the

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expenditures are recorded. A record shall be kept of the exchange rates used in translating Sudanese currency or other non-United States currency.

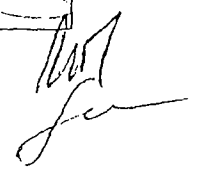
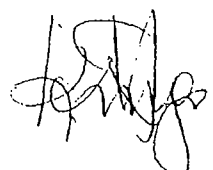
- (g) Charge for Interest on Investment. Interest on investment shall be charged as a recoverable cost under this Contract.

(2) CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS AND EXPENDITURES


- (a) "Exploration Expenditure" shall mean all expenditures, costs and expenses for Exploration operation including such expenditures, costs and expenses incurred after the Effective Date of this Agreement.
- (b) "Development Expenditures" shall mean all expenditures, costs and expenses incurred for Development operations with the exception of Operating Expenses made after the commencement of Commercial Production.
- (c) "Operating Expenses" shall mean all costs and expenses incurred after commencement of Commercial Production, which costs and expenses are not normally depreciable.

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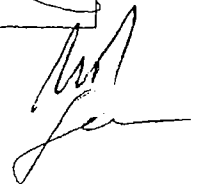
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- New Material (Condition "A"). New material transferred from Contractor's Affiliates' warehouses or other properties shall be priced at cost, provided that the cost of material supplied is no higher than international prices for material of similar quality supplied on similar terms prevailing at the time such material was supplied.
 - Used Material (Condition "B" and "C"). Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five percent (75%) of the price of new material.
 - Material which cannot be classified as Condition "B" but which is serviceable for its original function but substantially not suitable for reconditioning shall be classed as Condition "C" and priced at fifty percent (50%) of the price of new material.
 - Material which cannot be classified as Condition "B" or Condition "C" shall be priced at value commensurate with its use.
 - Tanks, buildings and other equipment involving erection costs shall be charged at the applicable percentage of knocked-down new price.
 - Warranty of Materials Furnished by Contractor. Contractor does not warrant the materials furnished beyond the dealers' or manufacturers' guaranty and in case of defective material, credit shall not be recorded until adjustment has been received by Contractor from manufacturers or their agents. Contractor shall obtain a manufacturer warranty practicable according to international industry standard and practice.
- (e) Transportation. Transportation of employees, equipment, materials and supplies necessary for the conduct of activities, as follows:
- (aa) Transportation of employees to South Sudan;
 - (bb) Transportation of employees by termination of service;
 - (cc) Annual Vacation ticket (twice);
 - (dd) Transportation of employee's family which shall be limited to a maximum of three full tickets (for spouse and depending children). Transportation costs for employees and their families incurred as a

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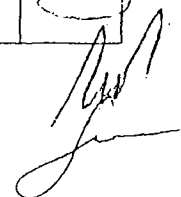
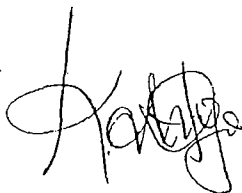


origin shall not be charged to Sudan operations.

(f) Services.

- (aa) Outside Services. The cost of consultants, contract services and utilities procured from third parties shall be subject to the approval of the Minister for cost exceeding three hundred thousand US Dollars (US\$ 300,000).
- (bb) Cost of services performed by the Minister or by Contractor or Affiliated Companies in facilities inside or outside the South Sudan. Regular, recurring, routine services, such as interpreting magnetic tapes and/or other analysis as evidence by timesheets, shall be performed and charged by Contractor at an agreed price. Such price shall be agreed upon by the Minister as the case may be. Use of Contractor's or Affiliated Companies, wholly owned equipment shall be charged at rental rate commensurate with the cost of ownership and operation, but not in excess of competitive rates currently prevailing in the international market and subject to prior approval of the Minister. Contractor's and Affiliated Companies rates may include administrative overhead costs.
- (g) Damages and Losses. All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident or any other cause not controllable by Contractor through the exercise of due care and diligence. Contractor shall promptly furnish the Minister with a written notice of damages or losses incurred, and shall provide a report of the same notice within ten days.
- (h) Insurance and Claims. The cost of any public liability, property damage and other insurance against liabilities of Contractor, and/or the parties or any of them to their employees and/or outsiders as may be required by the laws, rules and regulations of the Government or as the parties may agree upon. The proceeds of any such insurance or claim collected shall be fully reported to the Minister and credited against operations.
- (i) Indirect Expenses. Camp overhead and facilities such as shore base, warehouses, water systems, road systems, salaries and expense of field supervisory personnel, field clerks, assistants, and other general employees indirectly serving the Contract Area.
- (j) Legal Expenses. All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the Contract Areas, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of

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entire project.


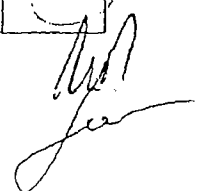
Other departments such as legal, controllers and engineering which contribute time, knowledge and experience to the operation the foregoing does not preclude charging for direct services.

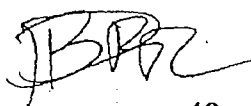
- (l) Anytime contractor is conducting Petroleum Operations, Contractor's personnel engaged in general clerical and office work, supervisors and officers whose time is generally spent in the main office and not in the field, and all employees generally considered as general and administrative and not charged to other types of expense, will be charged to operations. Such expenses shall be allocated each month between Exploration, Development and Production operations according to sound and practicable accounting methods.
- (m) Taxes. All taxes, duties or levies paid in the Sudan and/or South Sudan by Contractor with respect to this Contract.

(4) INVENTORIES

- (a) Periodic Inventories, Notice and Representation. At least once every Year or at reasonable intervals within a year, inventories shall be taken by Contractor of the operations material, which shall include all such material, physical assets and construction projects. Written notice of intention to take inventory shall be given by Contractor to the Minister at least thirty (30) days before any inventory is to begin so that the Minister may be represented when any inventory is taken. Except for lack of notice, failure of the Minister to be represented at an inventory shall bind it to accept the inventory taken by Contractor who shall, in that event, furnish the Minister with a copy thereof.
- (b) Reconciliation and Adjustment of Inventories, Reconciliation of inventory shall be made by Contractor and the Minister, and a list of overage and shortages shall be jointly determined and the inventory adjusted by Contractor.
- (c) Asset Register. Contractor shall maintain and keep up to date a register of its assets. Such register will record the type of assets or assets broken down by category on a reasonable basis, quantity, acquisition date and cost, depreciation, book value and serial number or other identification or markings, if applicable.

(5) DISPOSAL OF ASSET AND OTHER CREDITS

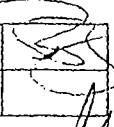

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when the exploration obligation has been met, costs, expenses and expenditures shall be recorded in major accounts including the following

- Exploration Expenditures
- Development Expenditures other than Operating Expenses
Operating Expenses
- Necessary sub-accounts shall be used
- Revenue accounts shall be maintained by Contractor to the extent necessary for the control of recovery of costs and the treatment of Cost Recovery Crude Oil/Gas.

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**ANNEX E
JOINT OPERATING AGREEMENT TERMS**

(1) Operations

For the purpose of communication, coordination and proper carrying out of Petroleum Operations and subject to the provision of the Contract, the Parties hereto shall establish a Joint Operating Agreement (JOA) in accordance with the following terms and principals:

- (a) Government and Contractor shall each appoint two (2) full representatives respectively to form the Management Committee (MC). All aforesaid representatives shall have the right to present their views on matters brought before the meetings held by the (MC). The chief representative from each Party shall be the spokesman on behalf of the Party to the Contract. Each Party shall have the right to change its representatives at any time by notifying in writing addressed to the other Party to that effect.
- (b) The chairman of the (MC) shall be the representative designated by the Minister and the vice chairman shall be the representative designated by ASCOM and SET, both parties hereinafter called "Foreign Parties". The chairman of (MC) shall preside over meetings. In his absence, the vice chairman shall be designated to act as the chairman of the meeting. The Parties according to need, may designate a reasonable number of advisers, experts or outside consultants, who may attend all or part of the meetings in an advisory role as required without voting right.

A regular meeting of the (MC) shall be held at least once a Calendar Quarter, and other meetings, if necessary, may be held at the request of any Party to the Contract upon giving reasonable notice of at least fifteen (15) days to the other Party of the date, time and venue of the meeting and the items to be discussed and the venue shall be any places as may be decided by the (MC) from time to time.


- (d) No action on any matter shall be taken at the meeting unless the matter has been included on the agenda or the representatives of the Parties agree that a matter for which no prior notice has been given shall be dealt with at the meeting.

(2) Powers

Without prejudice to the rights and powers of the Minister under the provisions of the Contract the (MC) shall exercise the following powers:

- (a) Review and recommend to the Minister the Work Program and budget and any revision thereto in accordance with the provisions of the Contract and any subsequent amendments thereto.
- (b) Review and approve on the award of any task to sub-contractors,

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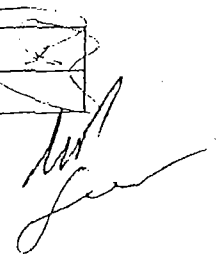

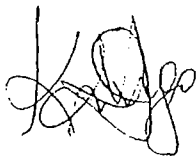
contracts or service contracts within the budget, all subject to and in accordance with the provisions of the Accounting Procedures.

- (c) Determine and announce the date of Commercial Production.
- (d) Approve all technical publications by either party concerning the Project.
- (e) Review and recommend to the Minister on the insurance program proposed by Contractor and emergency procedures on safety and environmental protection.
- (f) Review and recommend to the Minister personnel training programs and replacement of expatriates by nationals;
- (g) Review and approve minutes and/or resolutions of (MC) meetings, and discuss, and review, other matters that have been proposed by either Party.
- (h) Review and examine matters required to be submitted to relevant authorities of the Government and/or approval of the Minister.
- (i) Review and recommend to Minister Contractor's organization and salary structure.

(3) Decisions of the MC

- (a) No recommendations may be made by (MC) unless at least one (1) representative of each Party is present at the meeting. Decisions of (MC) shall be made unanimously through consultation. All decision made unanimously shall be deemed as formal decisions and shall be equally binding upon the Parties.
- (b) When matters upon which agreement cannot be reached arise, the Parties may convene another meeting in an attempt to find a new resolution thereto based on the principle of mutual benefit. Failing agreement on such solutions, the Contractor will continue to work and perform under its proposals, save environmental issues, until a solution is reached.
- (c) In the event the (MC) is unable to agree on any particular item ("disputed item") in a Work Program submitted by Contractor, the Contractor shall have the option to proceed with the conduct of Petroleum Operations in respect of the disputed item at its sole risk. If, after undertaking the Petroleum Operations in respect of the disputed item at its sole risk, Contractor can prove that such Petroleum Operations have resulted in material and tangible benefits to the Parties, such disputed item shall then be deemed an approved item.

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



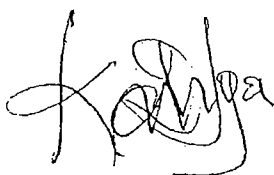
- (d) At the end of each (MC) meeting, the minutes and the decisions reached in accordance with the preceding paragraphs (a), (b) and (c) above shall be recorded in writing by the representative of the Contractor and signed by the representatives of both Parties as approved.
- (e) The minutes of (MC) meetings and the decisions reached in them shall be deemed strictly confidential and shall not be divulged by the Parties or by the members of (MC) to any third party.
- (f) All cost incurred by the Contractor and approved by the (MC) for the carrying out of Petroleum Operations and the (MC) duties shall be considered as Petroleum Costs and be recoverable from Cost Oil and/or Cost Gas, as the case may be, subject to the auditing and Accounting Procedures and other provisions of the Contract.
- (g) However, the cost of services provided by consultants or experts shall be borne by the Party who appointed them pursuant to this ANNEX herein above and shall not be considered as Petroleum Costs unless the consultant or expert is appointed by the Contractor at the request of the (MC).
- (h) Traveling expenses, including per-diem, food and lodging expenses incurred by the Parties' representatives within the framework of the meetings of the (MC) shall be either paid directly or reimbursed by the Contractor to the Party who defrayed them and shall be considered as Petroleum Costs and be recoverable from Cost Oil and/or Cost Gas, subject to Accounting Procedures and other provisions of the Contract.

(4) Warranties

Each Party hereby severally warrants to each other Party that, at the date of the Contract:

- (a) save as disclosed in the Contract, the interests of that Party as indicated in Article III are held or entitled to be held by that Party as beneficial owner;
- (b) there are no mortgages, pledges, liens, charges or encumbrances against the interest of that Party relating thereto; and
- (c) there is no litigation nor are there any Government actions or proceedings pending or threatened affecting the interest of that Party of which that Party has notice and which may in any way impair any of that Party's rights.
- (d) Each Party warrants to each other Party that it has full right, power and authority to enter into and implement the Contract and that it has taken all necessary action to authorise the execution and implementation of the Contract.
- (e) ASCOM severally warrants to each other Party that, at the date of the Contract, it has and is contributing to the percentage interest as indicated in Article III.

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(1) SET severally warrants to each other Party that, at the date of the Contract, it has and is contributing to the percentage interest as indicated in Article III.

(5) Operator

- (a) All Petroleum Operations shall be carried out by the Operator, subject to the control and direction of the (MC). The Operator may carry out the Petroleum Operations through its servants, agents and sub-contractors.
- (b) Petroleum Operations carried out by the Operator shall be carried out on behalf of all the Parties in proportion to their respective percentage interests.
- (c) Subject to the Contract for the purposes of Petroleum Operations, ASCOM is designated by the Contractor as Operator and may exercise all of the rights, liberties and discretion as would be available to the Operator and shall comply with the provisions of JOA.

Appointment and removal of the Operator shall be subject of (MC) decision.

(6) Authorities for expenditures (AFE)

- (a) The Operator shall, before entering into any commitment or incurring any expenditure under an approved Work Programme and budget prepare a draft AFE of the estimated costs to be incurred and the times at which payment on account of such costs are anticipated, and shall submit a copy of the draft AFE to each Party. Each Party shall within 14 days after a receipt of the draft AFE notify the Operator and the other Parties whether it approves of the draft AFE. A Party shall be deemed to have approved a draft AFE unless notice of non-approval is communicated to the Operator within the 14 day period referred to.
- (b) If the Parties, holding percentage interest sufficient to pass a majority vote, approve or are deemed to approve a draft AFE submitted by the Operator, then such approval or deemed approval shall, after the term of paragraph (a) was expired, constitute an AFE to the Operator in terms of the draft AFE and shall oblige the Parties to pay their percentage interest shares of costs arising or incurred in respect of the subject matter of the AFE.
- (c) If necessary to carry out an approved work programme or project, the Operator is authorised to make expenditures in excess of the approved AFE up to, but not exceeding, 10% of such AFE. The Operator shall promptly notify the Parties if such expenditures are expected to exceed such AFE by 10% thereof, and submit a supplementary AFE for approval.
- (d) A Party shall not unreasonably withhold its approval to such supplementary AFE submitted by the Operator where the additional costs were properly incurred by the Operator in carrying out the original AFE in accordance with the terms of approval.
- (e) The Operator shall be entitled to exceed an AFE in cases of emergency expenditure involving any actual or reasonably apprehended substantial

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ASCOM			