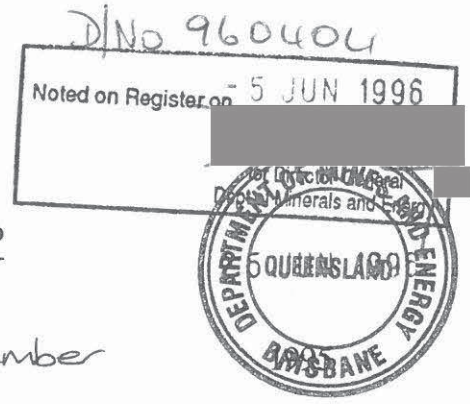


**FARMIN DEED**  
**WYERI BLOCK - ATP 549P**



THIS DEED is made the 11th day of December

**BETWEEN:** MOUNT ISA MINES LIMITED A.C.N. 009 661 447, a company organised and existing under the laws of Australia, of Level 1, MIM Plaza, 410 Ann Street, Brisbane, Queensland ("*ISA*")

**AND:** MAPLE OIL N.L. A.C.N. 009 795 046, a company organised and existing under the laws of Australia, of Level 2, 22 William Street, Melbourne, Victoria ("*Maple*")

**RECITALS:**

- A. ISA is the registered holder of ATP 549P granted under the Act.
- B. ISA has by a letter agreement dated 9 August 1995 agreed to farmout to Maple a 45% undivided interest in ATP 549P(1) on the terms and conditions more fully set out in this Deed.

**NOW THIS DEED WITNESSES:**

1. DEFINITION AND INTERPRETATION

1.1 Definitions

In this Deed (including the Recitals), unless the context otherwise requires, the following words shall have the following meanings:

"*Act*" means the Petroleum Act 1923 of the State of Queensland and any regulations made under it and any Act or regulations in modification or amendment of it or in substitution for it, and any Act which is complementary to it;

"*ATP 541P*" means authority to prospect 541P issued pursuant to the Act and includes any extension, renewal or re-issuance thereof and any petroleum lease for recovery of petroleum granted in connection therewith or in substitution therefor.

"*ATP 549P*" means authority to prospect 549P issued pursuant to the Act and includes any extension, renewal or re-issuance thereof and any petroleum lease for recovery of petroleum granted in connection therewith or in substitution therefor;

"*ATP 549P(1)*" means that area encompassed within blocks numbered 1767 to 1772 (inclusive), 1838 to 1843 (inclusive), 1909 to 1915 (inclusive), 1981 to 1987 (inclusive), 2053 to 2059 (inclusive) and 2125 to 2132 (inclusive) as depicted by shading in the plan attached hereto and marked with the letter "A" within ATP 549P and for the avoidance of any doubt excludes all other blocks within ATP 549P;

"*Completion of the Farmin Well*" means the date upon which the rig drilling the Farmin Well is released consequent upon a decision of the Parties either to plug and abandon or case and suspend such well;

"*Conditions*" means the conditions precedent set out in Clauses 2.1 and 2.2;

"*Cost Cap*" means the amount determined in accordance with Clause 4;

"*Crude Oil*" means petroleum oil in its natural state before it has been refined or otherwise treated but from which water, gas and other foreign substances have been extracted;

"*Deed*" means this deed, as amended from time to time;

"*Default Rate*" means the rate of interest expressed as a percentage rate per annum quoted by the Westpac Bank (head office Brisbane) being its Indicator Lending Rate for amounts in excess of \$100,000 plus eight percent (8%);

"*Effective Date*" means the date upon which the Farmin Well is spudded;

"*Farmin Interest*" means a 45% undivided interest in ATP 549P(1);

"*Farmin Well*" means the next wildcat exploration well drilled within ATP 549P(1);

"*Farmin Well Cost*" means with respect to the Farmin Well all costs and expenses (exclusive of any Mob/Demob Costs) incurred in any manner in connection with the drilling, deepening, sidetracking and testing of the Farmin Well, including any necessary clearing of the well site preparatory to drilling and, if the Farmin Well is abandoned without completion for production, includes the costs of abandoning the well in accordance with the Act and all other winding up operations on or in the Farmin Well or at such well site;

"*Joint Operating Agreement*" means the joint operating agreement to be entered into between the Parties referred to in Clause 11.1;

"*Minister*" means the Minister for Minerals and Energy or any other Minister who may from time to time be responsible for the administration of the Act;

"*Mob/Demob Costs*" means the costs of mobilising and/or demobilising the drilling rig contracted to drill the Farmin Well;

"*Parties*" means the named parties to this Deed and their assigns and "*Party*" shall have a corresponding meaning;

## 1.2 Headings

The headings to this Deed are for reference only and shall not be used in construing or interpreting any provision of this Deed.

Release

### 1.3 Words and Expressions

In this Deed, except to the extent that the context otherwise requires, words denoting:

- (a) the singular number shall include the plural and vice versa;
- (b) individuals shall include corporations, partnerships, trusts and unincorporated associations; and
- (c) any gender shall include each other gender, and vice versa.

### 1.4 References

References in this Deed to "*Clause*", "*Recital*" or "*Annexure*" shall be references to the clauses, recitals or annexures of this Deed.

### 1.5 Currency

References to currency or the sign "\$" are references to the currency of Australia.

### 1.6 Holiday

Where, under this Deed, the day on or by which any act, matter or thing is to be done is a Saturday, a Sunday or a public holiday in the place in which the act, matter or thing is to be done, it may be done on the next succeeding day which is not a Saturday, a Sunday or a public holiday.

## 2. CONDITIONS

### 2.1 Approval of this Deed

- 2.1.1 To the extent that this Deed mortgages, charges, creates or otherwise deals with, whether directly or indirectly, any interest in the benefit of ATP 549P(1), it shall be of no force and effect until it has been lodged and any necessary acceptance of the Minister and any necessary notation in the register maintained by the Department of Minerals and Energy have been obtained in accordance with the terms, conditions, provisions and stipulations contained in ATP 549P.
- 2.1.2 As soon as practicable after the date of this Deed, Maple will lodge this Deed with the Minister and apply, if necessary, for approval and notation in the register as provided for in Clause 2.1.1 and, if necessary, submit this Deed for assessment and payment of stamp duty.
- 2.1.3 Nothing in Clause 2.1 shall affect the rights and obligations of the Parties, or any provision of this Deed, which rights, obligations and provisions do not mortgage, charge, create or otherwise deal with, whether directly or indirectly, any interest in the benefit of ATP 549P(1).

Release

2.1.4 If the Condition in Clause 2.1 is not satisfied prior to twenty-four (24) calendar months after the Effective Date (or such later date as the Parties may agree), then this Deed shall be at an end and ISA shall repay to Maple any amounts that it may have contributed under Clause 3 and Maple shall repay to ISA the amount (if any) calculated under the provisions of Clause 9. Each Party shall use its best endeavours to satisfy or procure the satisfaction of the said Condition as soon as possible.

## 2.2 Completion of ATP 541P Farmin

This Deed is conditional upon and subject to Maple's completing its farmin to a 45% interest in ATP 541P as evidenced by the registration of such interest by the Minister in accordance with the terms, conditions, provisions and stipulations contained in ATP 541P and the Act.

## 3. EARNING CONDITIONS

### 3.1 Farmin Well Costs less than Cost Cap

Subject to Clause 3.2, Maple covenants and agrees to pay or to procure to be paid 90% of the Farmin Well Cost together with 90% of Mob/Demob Costs. The obligations of Maple hereunder to pay such costs as referred to in this Clause 3 shall be a primary and continuing obligation of Maple.

### 3.2 Farmin Well Costs exceeding Cost Cap

If the Farmin Well Cost exceeds the Cost Cap, then Maple's obligation shall be to contribute to the Farmin Well Cost, or procure payment thereof, in the following amounts:

- (a) 90% of the Cost Cap amount; and
- (b) 90% of Mob/Demob Costs; and
- (c) 45% of all other costs in excess of the Cost Cap.

### 3.3 Invoicing

With respect to the Farmin Well, ISA will prepare a schedule of cash calls which will be payable prior to and subsequent to the spudding of such Farmin Well. ISA will issue such cash calls in accordance with the provisions of the Joint Operating Agreement applied *mutatis mutandis*. Maple shall pay, or procure payment of, such cash called amounts within ten (10) days from the date of receipt of cash call from ISA.

### 3.4 Effective Date

Subject to and upon satisfaction by Maple of its obligations in this Clause 3, ISA assigns the Farmin Interest to Maple with effect from the Effective Date and such assignment is to be free of all liens, charges or encumbrances of any description whatsoever.

Release

4. CALCULATION OF COST CAP

The Cost Cap shall be determined as follows:

- (a) if the Farmin Well is plugged and abandoned, then the Cost Cap will be A\$526,900;
- (b) if the Farmin Well is cased and suspended, then the Cost Cap will be A\$720,300.

5. TRANSFER

5.1 Interests

Subject to and upon satisfaction by Maple of its obligations in Clause 3, the Parties acknowledge and agree that with effect from the Effective Date the interests in ATP 549P(1) shall be held as follows:

ISA	55%
Maple	45%
Total:	<u>100%</u>

and ISA agrees to hold such undivided interest upon trust for Maple as beneficial owner of such undivided interest.

6. DEFAULT

6.1 Interest

If Maple defaults in the performance of any of its financial obligations in terms of this Deed and notice of default is given by ISA, then, for so long as Maple continues to be in default, the amount in default shall bear interest against Maple at the Default Rate computed from the due date for payment until such time as Maple shall have paid or procured payment of the total amount in default together with all interest accrued in respect thereof.

6.2 Termination

If a default by Maple continues unremedied for a period of seven (7) days after ISA has given notice thereof to Maple requiring the same to be remedied, then this Deed and the assignment hereunder shall be terminated and (except as mentioned in Clause 6.3) be of no further force or effect, provided however that such termination shall be without prejudice to the rights of ISA or Maple against the other of them in respect of any antecedent breach of the provisions of this Deed.

### 6.3 Consequences of Termination

If this Deed is terminated as provided in Clause 6.2, the following provisions shall apply:

- (a) Maple shall not be entitled to receive any refund or compensation for such moneys as Maple shall have paid pursuant to this Deed;
- (b) Maple shall return forthwith to ISA all information and data supplied to Maple pursuant to this Deed; and
- (c) Maple agrees to execute all documents required to revest such undivided interest (if any) vested, assigned and/or transferred hereunder to Maple, and for such limited purpose Maple irrevocably appoints ISA as its attorney with full licence, power and authority at any time to take all such steps and proceedings and to execute all such documentation as is necessary.

### 7. CONFIDENTIALITY

This Deed and all of the provisions hereof shall be and remain confidential between the Parties and shall not be disclosed by any Party to any third party without the prior written consent of the other Party provided that any Party shall be at liberty without such consent to disclose or make a public statement or announcement regarding the same:

- (a) to the extent that such Party is legally required so to do, to any governmental agency or instrumentality or stock exchange, in which case all reasonable efforts shall be made to communicate such statement or announcement to the other Party prior to the disclosure, announcement or publication; or
- (b) to banks or other financial institutions in connection with the organisation of such Party's financial affairs provided that such banks or financial institutions shall have previously agreed in writing to keep the same confidential.

### 8. ACKNOWLEDGEMENT

Maple acknowledges and agrees that ISA will operate the drilling of the Farmin Well, any subsequent wells, all other exploration and other activities within ATP 549P(1) including but not limited to any feasibility study and/or project development and/or the production of Crude Oil which may eventuate following the discovery of commercial quantities of hydrocarbons.

9. PRODUCTION

ISA agrees that, should the Farmin Well discover commercial quantities of Crude Oil, Maple shall be entitled to take its 45% share of production therefrom in accordance with the terms of the Joint Operating Agreement. In the event that this Deed is terminated under Clause 6.2 hereof or comes to an end under the provisions of Clauses 2.1.4 or 2.2 hereof, Maple shall immediately repay (as a debt due and owing) ISA an amount calculated as follows:

$$A = B \times (C - D)$$

where:

- A is the dollar amount repayable;
- B is the total Crude Oil production taken by Maple in barrels;
- C is the average sale price per barrel for Crude Oil (produced from the Farmin Well in question) achieved by Maple through arm's length sales and as verified to ISA by Maple by production of Maple's sale records, books and accounts;
- D is the average cost per barrel for producing Crude Oil (from the Farmin Well) over the relevant production period.

10. LOCATION OF FARMIN WELL

ISA will consult with Maple regarding the location, depth and drilling programme for the Farmin Well.

In the absence of agreement between ISA and Maple with regard to the abovementioned matter, such matter shall be determined by majority vote in which circumstances the Parties are entitled to cast votes in the following proportions:

ISA	55%
Maple	45%

11. JOINT OPERATING AGREEMENT

11.1 Inconsistency

The Parties acknowledge and agree that they will upon the date on which Maple satisfies its obligations under Clause 3, execute the Joint Operating Agreement attached hereto and marked with the letter "B". Prior to such execution, the Parties acknowledge and agree that, except to the extent inconsistent with the provisions of this Deed, the conduct of all operations hereunder and all other matters relating to ATP 549P(1) or the interests of the Parties therein, shall be governed and construed in accordance with the terms and conditions set forth in the said Joint Operating Agreement.

Release

11.2 Termination

In the event that this Deed is terminated under Clauses 2.1.4, 2.2 or 6.2, the Joint Operating Agreement shall also be terminated.

12. WILDCAT EXPLORATION ACREAGE

The Parties acknowledge and agree that ATP 549P(1) is a wildcat exploration area with no proven economic reserves and that the market value of the interest acquired by Maple is one hundred dollars (\$100.00).

13. COSTS

Any stamp or other duty, registration or other fee payable in respect of this Deed shall be borne and paid by Maple. Each Party shall otherwise bear its own costs, including legal costs, associated with the negotiation, preparation and execution of this Deed and the Joint Operating Agreement.

14. FURTHER ASSURANCES

Each of the Parties shall from time to time and at all times after the execution of this Deed execute and deliver all such documents and use its best endeavours to do and procure to be done all such acts, matters and things as may be necessary or desirable to carry out and give full force and effect to the terms and satisfy the conditions of this Deed and the terms of the Act.

15. NOTICES

15.1 Method and Addresses

All notices or other communications permitted or required to be given shall be in writing and be deemed to have been received:

- (a) in the case of posting, on the third day (excluding days on which public holidays are gazetted at the place of destination) after it is posted;
- (b) in the case of delivery by hand, at the time of such delivery;
- (c) in the case of a telex or facsimile transmission, at 10.00 a.m. on the next day in the place of intended receipt following the day of transmission,

and shall be delivered or sent to the following address, telex number or facsimile transmission number as appropriate:

Release



If to ISA: c/- M.I.M. Petroleum Exploration Pty Ltd  
2nd Floor "Muruk Haus"  
230 Lutwyche Road  
WINDSOR QLD 4030  
Attention: General Manager  
Fax No: (07) 3857 7089

If to Maple: c/- Maple Oil N.L.  
Level 2  
22 William Street  
MELBOURNE VIC 3000  
Attention: Chairman  
Fax No: (03) 9621 2051

## 15.2 Substitute Address

A Party may at any time and from time to time designate a substitute address for the purpose of Clause 15.1 by giving notice to the other Party.

## 16. WAIVER AND VARIATION

### 16.1 Waiver

No waiver of any provision of this Deed nor consent to any departure from it by any of the Parties shall be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which it has been given.

### 16.2 Default or Delay Not Waiver

No default or delay on the part of the Parties in exercising any rights, powers or privileges hereunder shall operate as a waiver thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

### 16.3 Variation

No variation of this Deed shall be effective as between the Parties unless made in writing and signed by (or by some person duly authorised by) each of the Parties.

### 16.4 Binding Effect

This Deed shall be binding upon and inure to the benefit of the Parties and their lawful permitted assigns.

Release

17. **SEVERANCE**

If a provision of this Deed shall be held illegal, void or unenforceable by any Court or administrative body having jurisdiction, such determination shall not affect the remaining parts of this Deed which shall remain in full force and effect as if such illegal or unenforceable provision had not been included.

18. **RIGHTS OF PARTIES**

All remedies, rights, undertakings, obligations or agreements of the Parties arising by law, this Deed or otherwise shall be cumulative and none thereof shall be in limitation of any other right, remedy, undertaking, obligation or agreement of such Party. Each Party may follow any remedy to which such Party is entitled by law, this Deed or otherwise concurrently or successively at that Party's option.

19. **ENTIRE AGREEMENT**

This Deed constitutes the entire agreement between the Parties with respect to ATP 549P(1) and all other matters and transactions the subject matter of this Deed and supersedes and extinguishes any covenants, agreements, representations and warranties previously given or made.

20. **GOVERNING LAW**

This Deed shall be governed and interpreted in accordance with the law of the State of Queensland. Each Party submits to the jurisdiction of the Courts of that State.

21. **COUNTERPART EXECUTION**

This Deed may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. Any signature page of a counterpart may be detached from it without impairing the legal effect of the signatures on it and attached to another counterpart identical in form but having attached to it one or more additional signature pages signed by the other Party.

Forthwith upon execution by it of a counterpart of this Deed, each Party shall cause a facsimile copy of the signature page of the counterpart to be transmitted to the other Party and each Party shall:

- (a) be bound by this Deed from the time the last of the said counterparts has been successfully transmitted; and
- (b) forthwith post an originally executed signature page to each other Party of the counterpart executed by it.

Release

**EXECUTED AS A DEED:**

The COMMON SEAL of MOUNT ISA )  
MINES LIMITED A.C.N. 009 661 447 )  
is affixed hereunto in the presence of: )  
)  
NICHOLAS WITHRINGTON STUMP DIRECTOR )  
)  
DAVID McDERMOTT MUNRO SECRETARY )

[Redacted]  
sch4p4( 6) Personal information

Director

[Redacted]

Secretary

The COMMON SEAL of MAPLE OIL )  
N.L. A.C.N. 009 795 046 is affixed )  
hereunto in the presence of: )  
)  
)

[Redacted]

[Redacted]

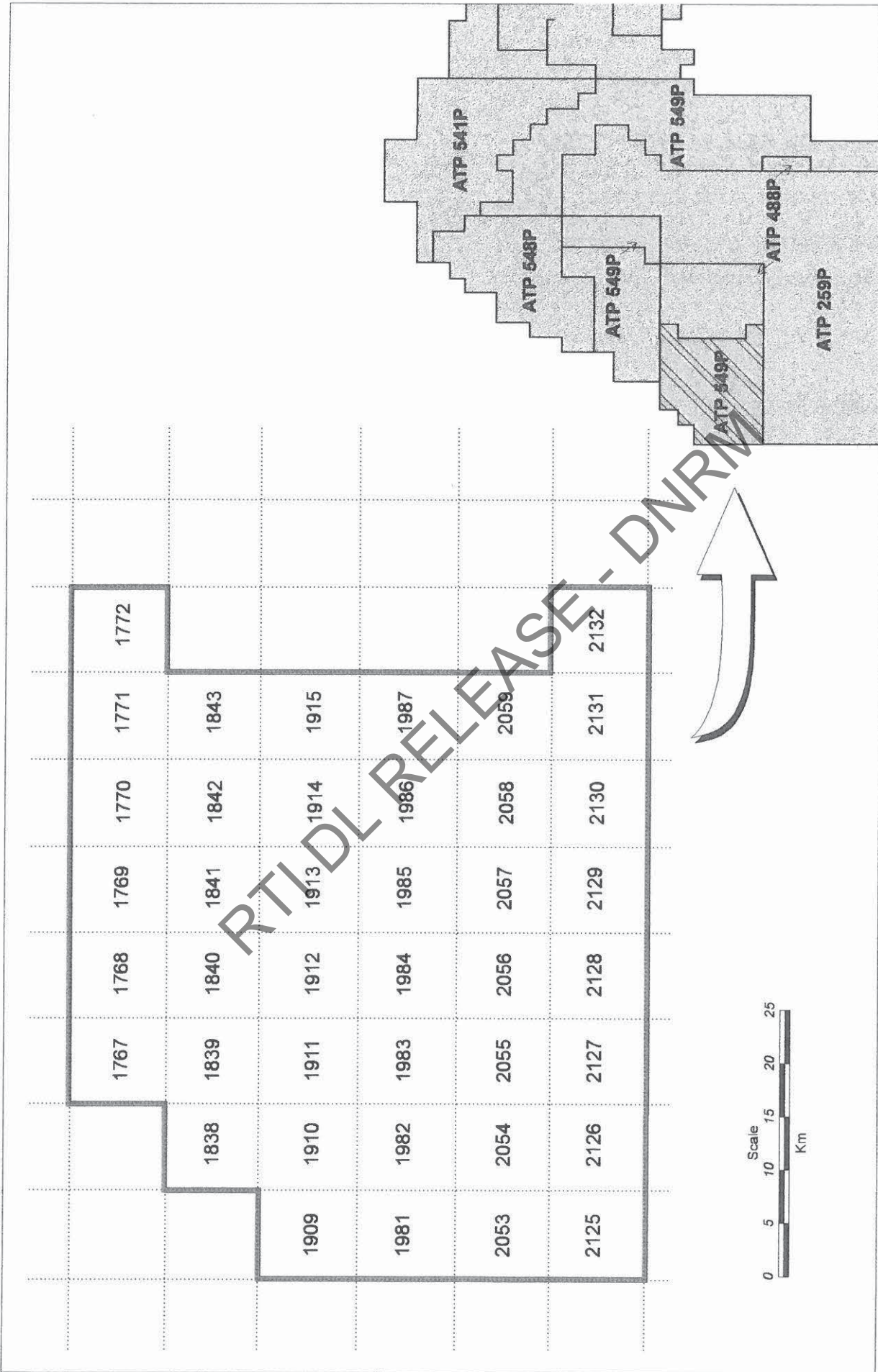
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Secretary ☆

RTI DL RELEASE - DNRM

ATTACHMENT A



ATP 549P  
Block Identification Map



Release

549pgrmp.cdr 1/1/95

ATTACHMENT B

MOUNT ISA MINES LIMITED  
MAPLE OIL N.L.

JOINT OPERATING AGREEMENT

WYERI BLOCK, ATP 549P(1)  
SOUTHWEST QUEENSLAND

RTI DL RELEASE - DNRM

Release

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THIS AGREEMENT is made on the \_\_\_\_\_ day of \_\_\_\_\_, 1995

**BETWEEN:** MOUNT ISA MINES LIMITED A.C.N. 009 661 447, a company organised and existing under the laws of Australia of Level 2, MIM Plaza, 410 Ann Street, Brisbane, Queensland ("*ISA*");

**AND:** MAPLE OIL N.L. A.C.N. 009 795 046, a company organised and existing under the laws of Australia of Level 2, 22 William Street, Melbourne, Victoria ("*Maple*")

**WHEREAS:**

- A. Authority to Prospect 549P was granted to ISA by an instrument dated 14 April 1993 for a four (4) year term commencing on 1 May 1993.
- B. On [.....] Maple entered into a Farmin Deed with ISA to earn a 45% interest in certain areas of Authority to Prospect 549P, such areas being more particularly described as ATP 549P(1).
- C. The Parties desire to define their respective rights, duties and obligations inter se with respect to the exploration for Petroleum, appraisal of any Discovery and, if warranted, the development and production of Petroleum within ATP 549P(1).

NOW THEREFORE IT IS AGREED BY AND AMONG the Parties as follows:

**I INTERPRETATION**

**1.1 Definitions**

In this Agreement unless the context otherwise requires:

"*Abandonment*" means the final abandonment of producing Joint Operations from any part of ATP 549P(1) through decommissioning, removal and/or disposal of Joint Property as required to comply with all applicable laws, the conditions of Authority to Prospect 549P to the extent pertaining to ATP 549P(1), Governmental requirements or good oilfield or industry practices and shall have a like definition for Sole Risk Operations;

"*Accounting Procedure*" means the method of accounting to be applied with respect to the Joint Account which is attached as Exhibit "A";

"*Act*" means the Petroleum Act 1923 of the State of Queensland and all Regulations made pursuant to it and any act and regulations modifying, amending or in substitution for, such Act and Regulations;

"*AFE*" means an authorisation for expenditure pursuant to clause 6.2;

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"*Affiliate*" means a company, partnership or other legal entity which controls or is controlled by or which is controlled by an entity which controls a Party. Control means the ownership directly or indirectly of fifty (50) percent of the shares or voting rights in a company, partnership or legal entity;

"*Appraisal Well*" means a well drilled for the purpose of determining the extent or volume of Petroleum contained in an existing Discovery;

"*Assigning Party*" means Assigning Party as defined in sub-clause 16.3.1;

"*ATP 549P(1)*" means that area encompassed within blocks numbered 1767 to 1772 (inclusive), 1838 to 1843 (inclusive), 1909 to 1915 (inclusive), 1981 to 1987 (inclusive), 2053 to 2059 (inclusive) and 2125 to 2132 (inclusive) being within Authority to Prospect 549P as depicted by shading in the plan attached hereto and marked with the letter "A". Where used herein, the term "*block*" bears the same meaning as that provided for in Authority to Prospect 549P;

"*ATP Year*" means the period of twelve (12) months commencing on 1 May of each calendar year and ending on 30 April the following calendar year;

"*Authority to Prospect 549P*" means the authority to prospect issued pursuant to the Act to ISA by an instrument dated 14 April 1993 and includes any extension, renewal or re-issuance thereof and any petroleum lease or pipeline licence for recovery of Petroleum granted in connection therewith (including any extension, renewal or re-issuance of such petroleum lease or pipeline licence);

"*Budget Passmark*" has the meaning ascribed to it in sub-clause 6.1.1;

"*Cash Call*" means any request for payment made by the Operator to a Party further to and in accordance with an AFE in connection with Joint Operations or, where the context requires, to the Sole Risk Party in connection with any Sole Risk Drilling or Sole Risk Development Project;

"*Casing Point*" means the point at which a well drilled hereunder has reached its projected depth or such lesser depth as may have been agreed to pursuant to clause 5.9 and all logs and tests have been made necessary to render a decision as to whether to plug and abandon the well or attempt to either flow test and/or to complete it as a producer have been made;

"*Completing Parties*" means Completing Parties as defined in sub-clause 6.5.4;

"*Completion Costs*" means, with respect to a well, the costs of acquiring and installing the casing left in the hole (exclusive of surface casing and casing which is run for the purpose of protecting the hole during drilling operations) and equipping and preparing the well for production up to and including the Christmas Tree;

"*Confidentiality Undertaking*" means Confidentiality Undertaking as defined in sub-clause 10.1.1;

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**"Consenting Parties"** means Consenting Party as defined in sub-clause 6.4.4;

**"Default Rate"** means the rate of interest payable by a defaulting Party as described in clause 8.6 expressed as a percentage rate per annum quoted by the Westpac Banking Corporation (Brisbane) being its Corporation Indicator Lending Rate for amounts in excess of \$100,000 plus:

- (a) five percent (5%) where not more than 2 Notices of Default have been served in respect of that Party in the preceding period of 12 months; and
- (b) eight percent (8%) where more than 2 Notices of Default have been served in respect of that Party in the preceding period of 12 months;

**"Development Project"** means the development of a Discovery to the extent necessary to enable Petroleum recovered to be taken for delivery to a purchaser, including the application for the issue of a petroleum lease for production of Petroleum;

**"Development Well"** means a well drilled within the expected limits or boundary of an already proven Petroleum accumulation for the purpose of producing the Petroleum reserves from the accumulation pursuant to a Development Project;

**"Discounted Net Cost"** means Discounted Net Cost as defined in clause 15.2;

**"Discounted Net Value"** means Discounted Net Value as defined in clause 15.2;

**"Discount Rate"** means Discount Rate as defined in clause 15.2;

**"Discovery"** means the discovery, by drilling, of a previously unknown Petroleum accumulation which is located within ATP 549P(1);

**"Drilling Costs"** means all costs and expenses incurred in any manner in connection with the drilling, deepening, sidetracking and testing of a well, including any costs of rig mobilisation and demobilisation, any necessary clearing of the well site preparatory to drilling and, in the case of a well which is abandoned without completion for production, includes the costs of abandoning the well in accordance with the Regulations and all other winding up operations on or in the well or at the wellsite;

**"Effective Date"** shall have the meaning ascribed to it in clause 1.5;

**"Entitlement"** means Entitlement as defined in clause 15.2;

**"Equipping Costs"** means, in the case of a well which is being completed for the taking of production therefrom, all costs, other than Drilling Costs and Completion Costs, which are incurred to place the well in production, and to handle, treat and bring production from such well to the point where such production is handled by facilities which are used in common with production not associated with such well or to the point of delivery of such production by the Operator to the Parties and shall include but not be limited to the flow lines and

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storage tanks and other equipment and facilities required for handling production from such well;

**"Event of Default"** means any of:

- (a) the failure of a Party to make any payment as required by this Agreement;
- (b) other than for the purposes of reconstruction or amalgamation:
  - (i) the placing of a Party in liquidation; or
  - (ii) the appointment of a liquidator, receiver or receiver and manager or official manager to the business and all assets of a Party unless the liquidator, receiver, receiver and manager or official manager resigns or is removed within fourteen (14) days of appointment; or
  - (iii) the making of a compromise by a Party with any class of creditors; or
  - (iv) the bankruptcy or insolvency of a Party; or
- (c) the making of an assignment of Joint Property by a Party for the benefit of its creditors;

**"Exploratory Well"** means a well (other than an Appraisal Well or a Development Well) drilled for the purpose of prospecting for Petroleum;

**"Farmin Deed"** means the deed entered into between ISA and Maple dated [.....] whereby Maple, inter alia, acquired a right to earn a 45% Undivided Interest in ATP 549P(1);

**"Field"** means an area consisting of a single Petroleum accumulation or multiple Petroleum accumulations all grouped on, or related to, the same individual geological structural feature and or stratigraphic condition. A Field may contain two or more Petroleum accumulations which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both;

**"Force Majeure"** means Force Majeure as defined in sub-clause 18.1.1;

**"Gas"** means any hydrocarbon or mixture of hydrocarbons (or mixture of hydrocarbons and other gaseous constituents) which at 15°C. and at atmospheric pressure is or are in the gaseous state, but excludes gas in solution which is produced in conjunction with Oil;

**"Government"** means the Government of the State of Queensland, Australia that has jurisdiction over the area in which ATP 549P(1) is located. Where the context requires, the term includes the Minister;

**"Gross Negligence"** means such conduct, acts or omissions having substantially harmful consequences, done or omitted to be done recklessly and with utter disregard for their substantially harmful, foreseeable and avoidable consequences;

"*Independent Expert*" means the person appointed pursuant to clause 24.2 to determine disputes between the Parties;

"*Joint Account*" means the set of accounts maintained by the Operator for the purpose of this Agreement, the Accounting Procedure and the conduct of Joint Operations and "*for the Joint Account*" shall mean for the account, expense, risk or benefit of the Parties in accordance with their Undivided Interests;

"*Joint Operations*" means all such activities as are necessary or desirable in order to implement and give full effect to the provisions and purposes of this Agreement, but excludes those activities which are related to Sole Risk Projects pursuant to Article XI;

"*Joint Property*" excludes Petroleum but otherwise means collectively:

- (a) ATP 549P(1);
- (b) all other property of whatsoever nature or kind, whether real or personal (including, without limitation, any chose in action and any estate or interest therein), acquired by or on behalf of the Parties in the conduct, or for the purposes, of Joint Operations;
- (c) all other estate, right, title or interest of the Parties arising under or by virtue of this Agreement; and
- (d) any geological, geophysical, engineering or operational information or data acquired by the Parties in the conduct, or for the purposes, of Joint Operations;

"*Majority Vote*" means an affirmative vote of a Party or Parties not being Affiliates holding individually or in aggregate not less than fifty-one percent (51%) of the Undivided Interests;

"*Market Value*" means Market Value as defined in sub-clause 11.4.3;

"*Minister*" means the Minister for Minerals and Energy or any other Minister who from time to time is responsible for the administration of the Act;

"*Non-Consenting Party*" means Non-Consenting Party as defined in sub-clause 6.4.1;

"*Non-Operator*" means a Party other than the Operator;

"*Non-Sole Risk Party*", in relation to a Sole Risk Project, means a Party that is not a Sole Risk Party;

"*Notice of Default*" means a Notice of Default as defined in clause 8.2;

"*OCM*" means OCM as defined in clause 5.4;

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"*Offer Notice*" means Offer Notice as defined in sub-clause 16.3.1;

"*Oil*" means all Petroleum except Gas;

"*Operating Committee*" means the committee formed pursuant to Article V;

"*Operating Costs*" means, with respect to a well, all costs incurred, exclusive of Drilling Costs, Completion Costs and Equipping Costs, to operate a well for the recovery and transport of Petroleum up to the place designated by the Operating Committee as the point of delivery of Petroleum to the Parties;

"*Operator*" means the Party for the time being appointed in accordance with Article III by the Parties to carry out Joint Operations on their behalf;

"*Participants*" means Participants as defined in sub-clause 6.5.2;

"*Parties*" or "*Party*" means the parties or a party hereto as well as their or its successors and permitted assigns, according to the context;

"*Paying Quantities*" means:

- (a) in the case of a well not completed and equipped for production, the anticipated output from the well of that quantity of Petroleum which, considering the Completion Costs, Equipping Costs, Operating Costs, kind and quality of production, the price to be received therefor, and the royalties and other burdens payable with respect thereto, would in the opinion of the Operating Committee by a Majority Vote warrant incurring the Completion Costs and Equipping Costs of the well; and
- (b) in the case of a well completed and equipped for production, the output from the well of that quantity of Petroleum which, considering the same factors as in (a) except Completion Costs and Equipping Costs, would in the opinion of the Operating Committee by a Majority Vote warrant the continued production from the well;

"*Petroleum*" shall have the meaning ascribed to it in the Act;

"*Premium Share of Production*" means Premium Share of Production as defined in sub-clause 11.4.1;

"*Regulations*" means any laws, rules and regulations which are applicable to ATP 549P(1) and to all operations and matters relating thereto as amended or replaced from time to time and includes the Act, as required by the context;

"*Sale Interest*" means Sale Interest as defined in sub-clause 16.3.1;

"*Security*" means a standby letter of credit issued by a bank or an on demand bond issued by a corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances or, failing the provision of either of those, cash

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contributed to a secure fund administered by independent trustees as agreed by the Operating Committee;

"*Sole Risk Development Project*" means a Sole Risk Development Project as defined in clause 11.1;

"*Sole Risk Drilling*" means Sole Risk Drilling as defined in clause 11.1;

"*Sole Risk Party*" means a Sole Risk Party as defined in sub-clause 11.2.3;

"*Sole Risk Project*" means a Sole Risk Project as defined in clause 11.1;

"*Sole Risk Seismic*" means Sole Risk Seismic as defined in clause 11.1;

"*Sub-Area*" means, at any given time, any part of ATP 549P(1) (being delineated by surface area but applying only to that interpreted closure of any structure or stratigraphic trap in which a Petroleum accumulation or accumulations may exist) which may be explored or subject to development by fewer than all Parties and in which the entire Undivided Interest therein shall be owned by those of the Parties carrying out the exploration, appraisal and/or development;

"*Transfer Notice*" means a Transfer Notice as described in sub-clause 8.6.1;

"*Undivided Interest*" means the interest from time to time of a Party (expressed as a percentage) in the Joint Property, this Agreement and all Petroleum produced from ATP 549P(1). For the purposes of this Agreement the Parties are entitled to the following Undivided Interests:

. ISA	55%
. Maple	45%

"*Wilful Misconduct*" means such conduct, acts or omissions having substantially harmful consequences, done or omitted to be done intentionally or recklessly and which result from conscious indifference to the rights or welfare of those who may reasonably be contemplated to be affected thereby;

"*Work Obligations*" means the minimum level of expenditure required to be spent pursuant to the Authority to Prospect 549P which is attributable to ATP 549P(1) for an ATP Year as may be varied from time to time in accordance with the Regulations. It is agreed that the minimum level of expenditure that is attributable to ATP 549P(1) for the ATP Year in question is that amount calculated as follows:

$$A = \frac{B \times C}{D}$$

where:

A is the minimum level of expenditure attributable to ATP 549P(1) for the ATP Year in question;

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B is the minimum level of expenditure required to be spent under Authority to Prospect 549P for the ATP Year in question;

C is the total number of blocks within ATP 549P(1) for the ATP Year in question; and

D is the total number of blocks within Authority to Prospect 549P for the ATP Year in question.

## 1.2 Headings

Headings herein and the Index are for convenience only, and shall not be used in construing or interpreting any provision hereof.

## 1.3 References

Unless otherwise expressly stated, references to Articles, clauses and sub-clauses herein shall mean Articles, clauses and sub-clauses respectively of this Agreement as varied from time to time; and the words "herein" and "hereof" shall refer to this Agreement as a whole and not to the Article, clause or sub-clause in which the respective word appears.

## 1.4 Currency

All references to dollars herein are to Australian dollars unless otherwise expressly stated.

## 1.5 Effective Date

This Agreement shall take effect as and from the date hereof (the "*Effective Date*").

## 1.6 Words and Expressions

In this Agreement, except to the extent that the context otherwise requires, words denoting:

- (a) the singular number shall include the plural and vice versa;
- (b) individuals shall include corporations, partnerships, trusts and unincorporated associations; and
- (c) any gender shall include each other gender, and vice versa.

## 1.7 Holiday

Where, under this Agreement, the day on or by which any act, matter or thing is to be done is a Saturday, a Sunday or a public holiday in the place in which the act, matter or thing is to be done, it may be done on the next succeeding day which is not a Saturday, a Sunday or a public holiday.

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## 1.8 Exhibits

The exhibits to this Agreement, being Exhibit "A" - Accounting Procedure, and Exhibit "B" - Deed of Assumption, shall form part of this Agreement.

## II SCOPE OF AGREEMENT

### 2.1 Confirmation of Purpose of Parties

The Parties hereby confirm their agreement to participate in an unincorporated joint venture for the exploration for and production of Petroleum from ATP 549P(1) on the terms and conditions hereinafter contained in proportion to their Undivided Interests, except where otherwise provided herein.

### 2.2 Nature of Parties' Obligations

2.2.1 The rights, duties, obligations and liabilities of the Parties shall be several and not joint nor joint and several. The relationship of the Parties, with respect to the Joint Property as between themselves, is that of co-owners, as tenants in common and their Undivided Interests shall be held accordingly.

2.2.2 Each Party severally agrees with each other Party:

- (a) to perform its obligations under the Act and the Regulations;
- (b) to perform its obligations under this Agreement, and not, except as permitted under this Agreement, Authority to Prospect 549P or the Regulation(s), to surrender or abandon Authority to Prospect 549P to the extent pertaining to ATP 549P(1) or terminate, seek to terminate or render liable to forfeiture, suspension or cancellation, Authority to Prospect 549P;
- (c) not to engage, either alone or in association with another or others, in any activity in respect of ATP 549P(1) or the Joint Property except as authorised by this Agreement;
- (d) to make contribution to the Joint Account to cover authorised expenditure under an approved budget on or in relation to Joint Operations or otherwise arising out of or in connection with Joint Operations in proportion to its relevant Undivided Interest for the time being and to otherwise perform and carry out in a timely manner all obligations assumed under this Agreement;
- (e) unless unanimously agreed otherwise, not to seek partition, with or by any court or otherwise, of any Joint Property;
- (f) to join in any application for any renewal, extension or relinquishment of Authority to Prospect 549P to the extent pertaining to ATP 549P(1) subject to the terms of this Agreement;

- (g) to do all things on its part necessary within the limits of this Agreement to ensure that Authority to Prospect 549P to the extent pertaining to ATP 549P(1) is kept in good standing and the Joint Property is kept in a safe and operable condition; and
- (h) to fully and honestly disclose to each other, in a timely manner, all matters relevant to Joint Operations that come to their knowledge except so far as they are restrained from doing so because of some legal obligation to another person whether such obligation be one of confidence or otherwise.

### 2.3 No Partnership

No entity is created by this Agreement, nor is it the purpose or intention of this Agreement to create any corporation, partnership or association, nor shall this Agreement and the Joint Operations be interpreted or considered as creating any such entity since each Party shall be individually responsible only for its own obligations hereunder.

### 2.4 Income Tax

Each Party shall be responsible for the payment of its own income tax and the preparation of all returns necessary for that purpose. The Operator shall prepare accounts in accordance with generally accepted accounting principles applicable to international petroleum joint ventures so as to enable the Parties to prepare such returns.

### 2.5 Fiduciary Duties

Except as provided in this Agreement, in their relations with each other under this Agreement, the Parties shall not be considered as fiduciaries and they shall accordingly be entitled to act in their own self interests in respect of all matters arising within the scope of this Agreement.

## III APPOINTMENT AND REPLACEMENT OF OPERATOR

### 3.1 Initial Operator

ISA is hereby appointed the initial Operator and assumes all of the obligations of the Operator hereunder. All duties of the Operator shall be performed by ISA in accordance with this Agreement until it is removed pursuant to clause 3.2, replaced pursuant to clause 3.3 or resigns pursuant to clause 3.4.

### 3.2 Removal of Operator

The Operator shall be automatically removed in any one of the following circumstances:

- (a) if the Operator commits an Event of Default;

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- (b) if the Operator assigns or purports to assign its general powers and responsibilities of supervision and management as the Operator hereunder to anyone, provided that the Operator shall be entitled to assign its general powers and responsibilities of supervision and management as the Operator hereunder to any Affiliate of the Operator and no such assignment shall as between the Operator and the other Parties relieve the Operator from its obligations in relation thereto and the Operator shall guarantee the performance of such general powers and responsibilities by such Affiliate to which they are assigned and no such assignment shall allow a duplication of any costs, including administrative overhead, chargeable to the Joint Account;
- (c) if the Operator defaults in the performance of any of its duties or obligations hereunder in any material respect and does not commence to rectify the default within ten (10) days after receipt of written notice from one or more Non-Operators specifying the default and requiring the Operator to remedy the same and does not rectify the default within a further twenty (20) days thereafter;
- (d) if the Undivided Interest of the Party for the time being the Operator falls below fifteen percent (15%); or
- (e) if the Operator having received an assignment of the Operatorship pursuant to sub-clause 3.2(b) ceases to be an Affiliate of the assignor.

### 3.3 Replacement of Operator

Where the Non-Operators (other than Affiliates of the Operator) collectively hold not less than sixty-five percent (65%) of the Undivided Interests, the Operator may be removed on the unanimous vote of all of the Non-Operators who are not an Affiliate of the Operator.

### 3.4 Resignation of Operator

The Operator may resign at any time as Operator by giving each of the Non-Operators one hundred and eighty (180) days' written notice of its intention so to do.

### 3.5 Appointment of New Operator

- 3.5.1 Subject to sub-clause 3.5.3, if the Operator resigns or is removed, a successor Operator shall be appointed by the unanimous vote of all Non-Operators (other than any Affiliate of the Operator) or, if that is not achieved, by Majority Vote.
- 3.5.2 No Party shall be appointed Operator hereunder unless it has given written consent to the appointment. If by reason of failure to appoint a new or replacement Operator, no Operator is functioning at any time, the Non-Operator having the greatest Undivided Interest shall act as Operator for the time being, provided that if two or more of such Non-Operators have an equal portion of Undivided Interests then the new or replacement Operator shall be that Party

supported by the remaining Non-Operators holding the largest aggregate of Undivided Interests.

3.5.3 An Operator which has been removed or has resigned shall not be reappointed as successor Operator, except with the unanimous consent of the Parties.

3.5.4 Except in the case of removal pursuant to clause 3.2 (in which case the Operator shall be replaced immediately) and subject to clause 3.4, every replacement of Operator shall take effect at 8.00 a.m. Brisbane local time on the first day of the calendar month following:

(a) in the case of resignation pursuant to clause 3.4, one hundred and eighty (180) days after the date of notice, or such earlier time as the Operating Committee may determine; or

(b) in any other case, one hundred and twenty (120) days after the decision of the Operating Committee or agreement of the Non-Operators effecting a change of Operator, or such earlier time as the Operating Committee may determine.

### 3.6 Transfer of Property on Change of Operator

3.6.1 Upon the effective date of resignation or removal, the successor Operator shall succeed to all duties, rights, and authority prescribed for the Operator. Immediately thereafter, the former Operator shall transfer to the successor Operator custody of all Joint Property, books of account, records and other documents maintained by the Operator pertaining to ATP 549P(1) and to Joint Operations.

3.6.2 The successor Operator, having consented in writing to such appointment, shall assume all duties and obligations of the Operator from the effective date of the change of Operator.

3.6.3 Upon delivery of the above described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator occurring after such date.

### 3.7 Audit of Accounts and Inventory of Joint Property on Change of Operator

Upon every change of Operator and by not later than sixty (60) days after the new Operator commences to act as Operator the Parties shall cause an audit to be made of the books of account and records kept for the Joint Account and any account kept by the Operator in respect of a Sole Risk Project and an inventory of Joint Property to be undertaken. The cost of the audit and inventory shall be charged to the Joint Account or the Sole Risk Project account, as appropriate.

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## IV FUNCTIONS AND DUTIES OF OPERATOR

### 4.1 Control and Management of Operations

Subject to the terms of this Agreement and to any instructions given from time to time by the Operating Committee, the Operator is hereby delegated the conduct and management of all Joint Operations and shall have the right and duty to manage and control the Joint Property in each case for and on behalf of the Parties in proportion to their Undivided Interests and for the Joint Account.

### 4.2 Independent Status of Operator

Subject to clause 4.3 and in accordance with any direction of the Operating Committee the Operator shall furnish or cause to be furnished all material, labour and services necessary for the exploration, appraisal and development of ATP 549P(1) and shall determine the number of employees, their selection and the hours of labour and the compensation for services to be paid to them in connection with Joint Operations. All employees and contractors used in Joint Operations shall be the employees and contractors of the Operator. The Operator shall employ only such employees, agents and contractors as it considers reasonably necessary to conduct Joint Operations.

### 4.3 Proper Practices in Operations

The Operator shall carry on all Joint Operations in accordance with the approved programmes and budgets, in a prudent, efficient, economic and proper manner and in accordance with established modern, scientific and good oilfield practices generally followed by the international petroleum industry, with due skill and vigour, with good and sufficient equipment, safely and in accordance with the terms and conditions of, and as and when and to the extent required by, Authority to Prospect 549P to the extent pertaining to ATP 549P(1), Regulations, this Agreement and the Operating Committee. It is the intention of the Parties that the Operator shall neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations.

### 4.4 Books and Records

4.4.1 Subject to sub-clause 4.4.2, the Operator shall with respect to all Joint Operations, keep and maintain at its office for the Joint Account, and as required by the Regulations, true and correct books, records and accounts showing developments and progress made, drilling done, other Joint Operations carried out, the quantity of the Petroleum produced from each well and the disposition thereof; and shall, upon request of a Non-Operator, make available and permit each Non-Operator during normal business hours to inspect copies thereof at the Operator's office and to make extracts therefrom or copies thereof, and to audit the Operator's accounts and records at the Operator's office as provided in the Accounting Procedure.

4.4.2 For so long as a defaulting Party pursuant to clause 8.3 is not entitled to geological information with respect to a well it shall not have the rights granted under sub-clause 4.4.1 with respect to that well.

#### 4.5 Protection From Liens

The Operator shall pay, or cause to be paid, as and when they become due and payable, all costs and expenses incurred in connection with Joint Operations including, but not limited to, all accounts of contractors and claims for wages and salaries for services rendered or performed and for materials supplied for Joint Operations and keep ATP 549P(1) and any property acquired for the Joint Account free from liens and encumbrances resulting therefrom, and, subject to compliance by the Non-Operators with the provisions of clause 8.1, shall not allow any claims of, or payment to or on behalf of the Government or any Governmental board or authority to become in arrears.

#### 4.6 Non-Operator's Rights of Access

Except as otherwise herein provided, the Operator shall permit each Non-Operator or its duly authorised representative, at the Non-Operator's sole risk, cost and expense, full and free access at all reasonable times for the purpose of inspection and observation of any Joint Operations and to the records thereof and any information obtained as a result thereof. Inspection of Joint Property and the conduct of audits as permitted by this Agreement and such Non-Operator shall be entitled without payment to no more than one (1) reproducible copy of all such records and information. If additional copies are requested, the Non-Operator requesting them shall pay the cost of the reproduction.

#### 4.7 Maintenance of ATP

On behalf of the Parties, the Operator shall (for the Joint Account) comply with all the terms and conditions of Authority to Prospect 549P to the extent pertaining to ATP 549P(1); and shall do all things within its power that are necessary to maintain Authority to Prospect 549P to the extent pertaining to ATP 549P(1) in good standing and in full force and effect; provided that this clause 4.7 shall not require or permit the Operator to conduct any operation for the Joint Account except as expressly provided herein.

#### 4.8 Royalties

The Operator shall pay or deliver for the account of each Party the royalties payable to the Government with respect to ATP 549P(1), whether in cash or in kind, when and as required by Authority to Prospect 549P and all Regulations. Each Party shall be responsible for the payment of any other royalties (if any) on its share of any Oil produced and sold.

#### 4.9 Taxes and Fees

The Operator shall pay for the Joint Account all taxes (exclusive of any taxes measured by the income of the Parties), fees, duties and other payments

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pertaining to ATP 549P(1) and Joint Operations required by Authority to Prospect 549P and the Regulations to be paid to the Government by the time such payments are due.

#### 4.10 Production Statements and Reports

The Operator shall furnish each Party, before the fifth (5th) working day of each month, with a statement showing production, inventories, sales and deliveries of Petroleum or allocations in kind to the Parties of Petroleum during the preceding month.

The Operator shall also furnish each Party on a timely basis with all exploration progress reports, test reports and data, seismic data, geological and geophysical reports, daily drilling reports, well logs and reports furnished by the Operator to the Government relating to the Joint Operations, together with, upon request, samples of rocks, cores and formation fluids taken from any wells drilled as part of the Joint Operations and such additional information or data as a Non-Operator may request and that the Operator may reasonably be expected to provide.

#### 4.11 Insurance

4.11.1 The Operator shall maintain all insurances required by Authority to Prospect 549P to the extent pertaining to ATP 549P(1) and any applicable Regulation or by the terms of any contract relating thereto ("*Required Insurance*") and subject to sub-clause 4.11.2 all insurances, other than Required Insurance, as the Parties may from time to time determine that the Operator shall effect on their behalf for the Joint Account ("*Determined Insurance*").

4.11.2 With respect to any policy of Determined Insurance, any Party may elect not to participate as a co-insured provided that such Party:

- (a) gives notice within 30 days of the resolution of the Parties of its non-participation to the Operator;
- (b) does nothing which may interfere, directly or indirectly, with the Operator's placement of such insurance for the other Parties;
- (c) effects and maintains, in proportion to its Undivided Interest, such insurance or other evidence of financial responsibility against the risks covered by Determined Insurance as the Operating Committee may determine to be acceptable and upon request provides to the Operator such proof of insurance or other arrangements as the Operator may reasonably require; and
- (d) arranges for such policies to be subject to the condition that they shall not be cancelled, amended or varied, or permitted to expire or lapse, without, in each instance, the insurer first having given to the other Parties not less than thirty (30) days' prior notice of its intention so to do and contain a waiver of subrogation in favour of all the other Parties and the Operator but only in respect to Joint Operations.

4.11.3 In respect of each policy of Required Insurance and Determined Insurance, the Operator shall:

- (a) provide each of the Parties with a certificate from an insurance broker, or other evidence confirming such insurance has been obtained;
- (b) upon request, provide any Party participating in that policy of insurance with a copy of that policy and evidence that it is current;
- (c) arrange for the Parties participating therein to be named co-insureds and for the endorsement of such policies with waivers of subrogation in favour of all the other Parties, but with respect only to Joint Operations; and
- (d) pursue claims and collect the proceeds which shall be credited to Parties in proportion to their respective interests in such insurance. Any settlement of a claim exceeding \$25,000.00 shall require the approval of the Operating Committee.

4.11.4 Each Party may, for its own account and at its own expense, obtain such additional insurance as it thinks fit, provided that the obtaining of such additional insurance shall not in any way interfere with the Operator's placement of Required Insurance or Determined Insurance or prejudice such insurance when placed.

4.11.5 The Operator shall require contractors and subcontractors performing work in respect of Joint Operations to effect and maintain all insurances pertaining to such work which are required by virtue of Authority to Prospect 549P to the extent pertaining to ATP 549P(1) and any applicable Regulation or the terms of any contract relating thereto and such other insurance as the Operating Committee directs or, in the absence of such a direction, as the Operator thinks advisable. Insurances effected pursuant to this sub-clause 4.11.5 shall provide for waivers of subrogation by the insurer in favour of the Parties and the Operator and shall be subject to the condition that they shall not be cancelled, amended or varied, or permitted to expire or elapse, without, in each instance, the insurer first giving to the Parties not less than thirty (30) days' prior notice of its intention so to do.

#### 4.12 Budget Expenditure by Operator

The Operator shall carry out each programme of Joint Operations adopted by the Operating Committee within the limits of the approved budget therefor and in accordance with the procedures prescribed in Article VI and it shall not undertake any Joint Operations for the Joint Account not included in any approved programme or make any expenditures during a budget period in excess of the budgeted amounts approved therefor or authorised by an AFE except as follows:

- (a) If necessary to carry out an approved programme or project, the Operator is authorised to make expenditures in excess of the budget adopted therefor up to but not exceeding ten percent (10%) of each AFE. The Operator shall

promptly notify the Non-Operators of such excess expenditure provided that the cumulative total of all excess expenditures for a calendar year shall not exceed 5% of the total budget for each programme or project.

- (b) The Operator is also authorised to make expenditures for Joint Operations within ATP 549P(1) not included in an approved programme or not provided for in an adopted budget, limited, however, to a total not exceeding one hundred thousand dollars (\$100,000.00) in each ATP Year in which drilling operations are being conducted within ATP 549P(1) and not exceeding a total of fifty thousand dollars (\$50,000.00) in every other ATP Year; PROVIDED, however, that when such expenditures have been approved by the Operating Committee, the amount available for unbudgeted expenditures shall be increased back to fifty thousand dollars (\$50,000.00) or one hundred thousand dollars (\$100,000.00) as the case may be, it being the intention of the Parties that the Operator shall have a fixed amount which it can expend without obtaining prior approval.
- (c) At such time as the Operator is certain that the limits in Article 4.12(a) will be exceeded, the Operator shall furnish a supplemental AFE for the estimated excess expenditures to the Operating Committee for its approval and shall provide the Parties with full details of such excess expenditures. The Operator shall promptly give notice of the amounts of excess expenditures when actually incurred.
- (d) In case of an emergency, the Operator may make such immediate expenditures as it thinks necessary for the protection of life or property. Any such emergency expenditures shall be reported promptly to the Parties by the Operator.
- (e) In respect of Sole Risk Projects pursuant to Article XI.

#### 4.13 Additional Operator Duties

4.13.1 Without limiting its other duties and obligations herein expressed, the Operator shall:

- (a) file all necessary Government reports and returns (other than those based upon or measured by income or the receipt of Petroleum);
- (b) invite competitive tenders for materials or services for the Joint Account involving amounts of more than \$100,000.00 for any one item or series of related items;
- (c) obtain Operating Committee approval to the principal terms of the contracts for the Joint Account, involving amounts for any one item or series of related items in excess of:
  - . drilling rigs all contracts
  - . seismic and other geophysical surveys \$100,000.00
  - . technical studies \$100,000.00
  - . supply of other goods \$100,000.00

such approvals to be additional to and not in lieu of the approvals required to be obtained by the Operator pursuant to any AFE;

- (d) in respect of Petroleum production, advise the Parties of:
- (i) daily production rates;
  - (ii) daily and cumulative Undivided Interest shares of Petroleum produced attributable to each Party;
  - (iii) each Party's liability for Government royalty; and
  - (iv) deviations from routine operational activities;
- (e) in respect of each contract entered into by the Operator in the course of Joint Operations (other than a contract of employment) requiring the approval of the Operating Committee, disclose that it acts for and on behalf of the Parties and endeavour to ensure that it is made a term of the contract that the obligations of each of the Parties are several, not joint, not joint and several and that liability is expressed to be in proportion to their respective Undivided Interests and that the Operator may on behalf of itself and the Non-Operators enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as covered by that contract) from, the contractor; and, where appropriate, require the contractor to maintain the insurance required pursuant to sub-clause 4.11.5;
- (f) consult freely with the Non-Operators and keep them currently advised of all important matters arising in connection with Joint Operations;
- (g) subject to sub-clause 4.13.1(c), obtain from outside experts and consultants such technical, legal, accounting and other professional advice and services as are considered by the Operator to be necessary or desirable for the conduct of Joint Operations;
- (h) provide on a timely basis and at the cost of the Party concerned such data as is required to enable each of the Parties to make, to the extent that such Party legally is required so to do, public statements or announcements to any Governmental agency or instrumentality or official stock exchange; and
- (i) not commingle with its own funds the monies it receives from or for the Joint Account pursuant to this Agreement and shall deposit and invest any such funds held in respect of Joint Operations as authorised by the Operating Committee.

4.13.2 The Operator shall, in accordance with decisions of the Operating Committee, have the exclusive right and obligation to represent the Parties in all dealings with the Government with respect to matters arising under Authority to Prospect 549P to the extent pertaining to ATP 549P(1) and Joint Operations. The Operator shall notify the other Parties as soon as possible of such meetings and such Parties shall have the right to attend such meetings, but only in the capacity of observers. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government with respect to any issue peculiar to its particular business interests arising under this Agreement.

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#### 4.14 Limit of Operator's Responsibility

Notwithstanding anything else contained in this Agreement, the Operator shall be deemed not to be in default in the performance of any obligation hereunder which obligation requires the Operator to expend funds for the Joint Account, in circumstances in which the Operator has properly called for but has not been provided by the Parties or any of them with funds to enable the Operator to perform such obligation.

#### 4.15 Limit of Liability

4.15.1 The Operator shall not be liable to the Non-Operators for any loss or damage except for loss or damage resulting from the Wilful Misconduct or Gross Negligence of the Operator, its agents or employees.

4.15.2 The Operator shall not be responsible for any act or omission of itself, its agents or employees if done or omitted at the instruction or with the concurrence of the Operating Committee. The Operator shall in no circumstances be liable for reservoir damage, inability to produce any or all Petroleum or loss of profits in any form.

#### 4.16 Indemnification of Operator

4.16.1 Each of the Parties, proportionate to its Undivided Interest, hereby indemnifies and agrees to hold harmless the Operator and its agents or employees against any claim of or liability to any third party in connection with loss or damage resulting from any act or omission of the Operator its agents or employees in conducting Joint Operations, provided that the Operator shall not be so indemnified and held harmless in respect of loss or damage resulting from its or its agents' or employees' Wilful Misconduct or Gross Negligence.

4.16.2 No act or omission of the Operator or its agents or employees shall be regarded as being Wilful Misconduct or Gross Negligence if done or omitted to be done at the instruction or with the concurrence of the Operating Committee provided the Operator fully complies with the procedures instructed by or in concurrence with the Operating Committee unless, in the Operator's judgment, such procedures could jeopardise the wellbore or otherwise create irreparable damage to the wellbore or formation prospective of containing Paying Quantities of Petroleum.

4.16.3 Notwithstanding the foregoing, the Operator shall not be indemnified by the Parties for losses covered by or should have been covered by insurance to be effected by the Operator.

### V OPERATING COMMITTEE

#### 5.1 Composition of Operating Committee

To provide for the overall orderly supervision and direction of Joint Operations there is established an Operating Committee composed of representatives of each

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of the Parties. Each Party holding an Undivided Interest of five percent (5%) or more shall appoint one representative and one alternate to serve thereon. Any Party holding an Undivided Interest of less than five percent (5%) shall not be entitled to appoint a separate representative to the Operating Committee but may join with other Parties where the aggregate of their Undivided Interests is equal to or exceeds five percent (5%) to appoint a single representative and an alternate to represent them severally. The Operator's representative shall be the Chairman thereof and if the Operator's representative is not present within thirty (30) minutes of the appointed time for commencement of a meeting, the representatives present may choose one of their number to preside at the meeting.

## 5.2 Formation of Operating Committee

5.2.1 Within fourteen (14) days after the date of execution of this Agreement, each Party shall notify each of the other Parties of the names and addresses of its representative and alternate representative who shall represent it and be authorised to bind it with respect to all matters in connection with Joint Operations.

5.2.2 Each alternate representative shall be entitled to attend all Operating Committee meetings but shall have no vote at such meetings except in the absence or disability of the representative for which he is the alternate.

5.2.3 Each Party shall have the right to change its representative and alternate at any time by giving notice in accordance with clause 21.1 to the other Parties.

5.2.4 In addition to the representative and alternate representative, each Party may also bring to all such meetings such technical and other advisers as it thinks appropriate.

## 5.3 Vote Required for Decisions of Operating Committee

5.3.1 Except as herein otherwise provided, all decisions of the Operating Committee on all matters coming before it shall be made by a Majority Vote, each Party being entitled to vote through its representative in proportion to its then Undivided Interest.

5.3.2 No decision to voluntarily surrender (except in accordance with Article XIV) or seek a variation in the terms of Authority to Prospect 549P to the extent such surrender or variation affects ATP 549P(1) or otherwise withdraw from Authority to Prospect 549P or any part thereof to the extent such withdrawal affects ATP 549P(1), shall be taken by the Operating Committee without the unanimous consent in writing of all Parties.

5.3.3 If any Party abstains from voting (including by reason of that Party not being represented at a meeting of the Operating Committee) that Party shall be deemed to have voted to disapprove the matter or proposal in question.

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#### 5.4 Meetings of Operating Committee

The Operating Committee shall have a meeting ("*OCM*") whenever requested by the giving of at least thirty (30) days' notice by the Operator. The Operator shall give such notice within seven (7) days after it is requested to do so by any Party. Notwithstanding clause 5.5, the Operating Committee shall meet at least once each year to consider the programme and budget referred to in Article VI. Except as herein otherwise specifically provided, the decisions of the Operating Committee shall be binding upon the Parties.

A written record of all resolutions voted on during any meeting shall be signed by all representatives prior to the end of such meeting and copies thereof distributed to each Party.

#### 5.5 Call in Lieu of Meeting

5.5.1 In lieu of an OCM, any Party may request the Operator to submit any matter which is proper for consideration by the Operating Committee to the representatives of the Parties and the Operator shall give each representative notice in accordance with Article XXI which notice shall specify the matters to be considered and shall include all relevant supporting information.

5.5.2 Each representative entitled to vote shall communicate its vote thereon to the Operator by mail, telegram, telex or facsimile communication within such period as may be designated in the notice given by the Operator. That period shall not be less than fifteen (15) days from receipt of such notice except if the matter relates to drilling operations currently in progress. In that event, notice by the Operator and the response thereto by the representatives may be made by telephone and confirmed in writing not later than the next business day and the period required for response may be shortened to forty eight (48) hours.

5.5.3 If the matter does not relate to drilling operations currently in progress and within five (5) days after receipt of such notice, a request is made for an OCM to consider such matter, it shall be considered at an OCM called pursuant to clause 5.4 for that purpose. If an OCM is not requested, then at the expiration of the period designated in the notice given by the Operator, the Operator shall give to each representative written notice stating the tabulation and results of the vote. The absence of a response by any representative shall be deemed to be a vote against the matter proposed.

5.5.4 A decision shall be deemed to have been made under this clause 5.5 upon the date on which the Majority Vote in respect of the matter to be considered is achieved.

#### 5.6 Sub-Committees

The Operating Committee may establish such sub-committees (including a technical sub-committee, consisting of a representative of each Party) as it thinks appropriate. The functions of such sub-committees shall be determined by the Operating Committee, however the Operator shall have the right to appoint the Chairman of all sub-committees. Any such sub-committee shall meet whenever

requested by the Operator. Unless otherwise agreed, the Operator shall give fourteen (14) days' notice thereof which notice shall adequately specify the matters to be considered. Any such notice shall be given within seven (7) days of a request by any Party.

#### 5.7 Place of Meetings

All OCMs shall be held at the offices of the Operator, or elsewhere as may be determined by the Operating Committee.

#### 5.8 Operator's Duties

With respect to each OCM, the Operator's duties shall include, but not be limited to:

- (a) at least thirty (30) days prior to each scheduled OCM, the Operator shall dispatch to each Party an agenda setting out the matters proposed to be considered and including all appropriate information necessary for consideration by the Parties. Each Party shall be entitled to add matters to such agenda by giving notice thereof to the Operator and to the other Parties at least fourteen (14) days before the OCM. No decision shall be taken at any OCM on any matter not listed on the agenda for that meeting, unless the Parties agree unanimously to consider such matter. Any Party entitled to be, but not, represented at an OCM nevertheless may vote on any matter on the agenda by notifying the Operator prior to the OCM of its vote or by appointing the representative or alternate representative (as the case may be) of another Party to cast its vote;
- (b) organisation and conduct of the meeting;
- (c) preparation of a written record of each OCM with copies thereof delivered to the representatives of the Parties as soon thereafter as possible (but no later than thirty (30) days) for approval by signature as to the accuracy thereof (provided always that if none of the representatives of the Parties to which copies of any such written record are required to be sent objects in writing to the Operator within 30 days of receipt of the copy then such written record shall be deemed to have been approved); and
- (d) maintenance of a permanent file of all meeting records of the Operating Committee and the technical sub-committee.

#### 5.9 Operating Committee's Duties

The duties of the Operating Committee shall include, but not be limited to:

- (a) the consideration and determination of general policies, procedures and methods of operation;
- (b) the consideration, revision and approval, or disapproval, of all proposed programmes and budgets prepared and submitted to it;

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- (c) the determination of the timing and location and drilling programmes (including testing, completion and abandonment) of all proposed wells drilled under Joint Operations and the timing and location of all seismic programmes and any change in the use or status of a well;
- (d) the determination of producing rates from developed fields conforming to accepted oilfield practices;
- (e) as far as is necessary from time to time, the determination of the extent of a Petroleum accumulation or a Field and revisions thereof;
- (f) the consideration and, if so required, the determination of any other matter relating to the Joint Operations which may be referred to it by the Parties; and
- (g) the consideration of and, if so required, the determination of any other matter relating to this Agreement or Authority to Prospect 549P to the extent pertaining to ATP 549P(1).

## VI OPERATING PROGRAMMES AND BUDGETS

### 6.1 Adoption of Programmes and Budgets

6.1.1 As soon as reasonably practicable in respect of the ATP Year in which the Effective Date falls and not less than sixty (60) days before the end of each subsequent ATP Year, or such shorter period as the Operating Committee may agree, the Operator shall submit to the Operating Committee a proposed programme and budget for the current (in the case of this ATP Year in which the Effective Date falls) or forthcoming ATP Year and a provisional operating programme and budget for the ATP Year that follows the forthcoming ATP Year. The Operating Committee shall meet not less than thirty (30) days nor more than forty-five (45) days after submission of any such programme and budget to consider, vary and approve (such approval shall require the affirmative vote of a Party or Parties not being Affiliates holding individually or in aggregate not less than sixty-five percent (65%) of the Undivided Interests (hereinafter referred to as the "*Budget Passmark*")) a programme and budget which approval shall be given prior to the commencement of the ATP Year.

6.1.2 Subject to clauses 6.4 and 6.5, approval of a programme and budget shall obligate the Parties to bear and pay their respective Undivided Interest shares of all liabilities, costs and expenses arising or incurred under the operating programme and budget so approved. This obligation shall extend to liabilities, costs and expenses incurred by the Operator on behalf of the Parties prior to the execution of this Agreement or before such approval was given.

6.1.3 Each budget shall contain a properly itemised estimate of the cost of the items provided for in the related operating programme and a properly itemised estimate of all other expenditures to be made for the Joint Account during the ATP Year. Each programme and budget decided upon shall be subject to review and revision

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by the Operating Committee from time to time, such review or revision to be subject to the Budget Passmark.

6.1.4 Each budget shall also include an estimate of the manpower to be allocated to the work programme.

## 6.2 Authorities for Expenditure

6.2.1 Subject to clause 4.13, the Operator shall have no authority to expend funds specified in an approved programme and budget as being for any item estimated to cost in excess of one hundred thousand dollars (\$100,000.00) unless the Operator shall, before entering into any such commitment or incurring any such expenditure under an approved programme and budget as aforesaid, cause to be prepared a draft AFE containing a schedule of the estimated costs thereof and the times at which payments on account of such costs are anticipated and shall submit copies of such draft AFE to the Parties and each of the Parties shall within thirty (30) days after receipt of same notify the Operator and the other Parties whether it approves the draft AFE.

6.2.2 If that number of Parties as would constitute a Majority Vote approve the draft AFE then it shall constitute an AFE to the Operator and subject to the provisions of clauses 6.4 and 6.5 shall obligate the Parties to bear and pay their respective shares in accordance with their respective Undivided Interests of all liabilities, costs and expenses arising or incurred in respect of the subject matter of the AFE and the Operator shall notify all Parties accordingly.

A Party voting to disapprove an AFE issued in furtherance of an approved work programme and budget shall demonstrate that the disapproval is duly justified and shall state reasons for the disapproval.

## 6.3 Minimum Programmes and Budgets

6.3.1 Subject to clause 14.4, the Parties agree to adopt such programmes and budgets as will complete the Work Obligations. Clauses 6.4 and 6.5 shall not apply to expenditures under the Work Obligations. In the event that the Operating Committee is unable by the date of commencement of an ATP Year to agree upon an operating programme and budget in respect of such ATP Year then the Operator shall prepare and submit to the Parties an operating programme and budget which shall be sufficient to satisfy the Work Obligation and the Operating Committee shall thereupon be deemed to have approved such operating programme and budget.

6.3.2 If:

- (a) a Budget Passmark cannot be obtained with respect either to the drilling of any well (excluding the location thereof which shall be a matter for a Majority Vote) or to the carrying out of any other work, in either case forming part of the Work Obligations; or

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- (b) a Majority Vote cannot be obtained with respect to the location of any well or in respect of a draft AFE based on an approved programme and budget forming part of the Work Obligations,

then the matter shall be determined by the vote of the Party or Parties who have in aggregate a larger Undivided Interest than any other Party or Parties. In the event of a tie, the Operator's vote shall determine the matter.

#### 6.4 Non-Consent

- 6.4.1 Subject to clause 6.3, if any Party votes against an AFE for the drilling, deepening, reworking, side-tracking or plugging back (such Joint Operations being sometimes referred to in this clause 6.4 as "*drilling*") of any well which is not required to be drilled in order to complete the Work Obligations or, as the case may be, votes at an OCM against a Development Project, then such Party ("*Non-Consenting Party*") may notify the Operator within the relevant time limit that it will not participate in such drilling or, as the case may be, Development Project.
- 6.4.2 Notice to be given to the Operator by a Non-Consenting Party pursuant to sub-clause 6.4.1 shall be given within seven (7) days after the date that the AFE is authorised.
- 6.4.3 Where a Non-Consenting Party notifies the Operator that it will not participate in the drilling of any well or a Development Project the Operator shall notify the other Parties within seven (7) days of receipt of such notice. If any Party which voted for the drilling of the well or, as the case may be for the Development Project, then notifies the Operator within fourteen (14) days of receipt of the Operator's notice that it does not wish to participate in the drilling of that well or the Development Project that Party shall be deemed to be a Non-Consenting Party hereunder and thereafter shall not be responsible for any costs, risks or expenses attributable to the drilling, completion or abandonment of such well or of such Development Project.
- 6.4.4 Subject to this clause 6.4, all of the Parties which have consented to the drilling of the well or, as the case may be, to participate in the Development Project ("*Consenting Parties*") will thereafter share in all costs, risks, and benefits properly attributable to the drilling and completion for production or abandonment of such well or, as the case may be, to the Development Project in the proportion that their respective Undivided Interests bear to the total of the Undivided Interests of all the Consenting Parties so sharing.
- 6.4.5 If a drilling operation should result in a Discovery, confirm the recoverability of Petroleum or, as the case may be, result in the recovery of Petroleum, then the provisions of clause 11.4 shall apply as if a Non-Consenting Party were a Non-Sole Risk Party. If a Development Project is carried out under this clause 6.4, then the provisions of sub-clause 11.2.8 shall apply thereto.
- 6.4.6 Notwithstanding anything else contained in this Article VI, if drilling operations are currently in progress or a drilling rig is on location, the seven (7) and

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fourteen (14) day notice periods referred to therein shall each be shortened to forty-eight (48) hours.

## 6.5 Casing Point Election

6.5.1 Any decision by the Operating Committee pursuant to this Article VI or by the Sole Risk Parties under Article XI, for the drilling, deepening, reworking, sidetracking or plugging back of a well shall not be deemed to be an agreement to or as a decision for the setting of casing and the making of a completion attempt for production.

6.5.2 After any such well has reached Casing Point, the Operator shall give immediate notice to the other Parties participating in respect of that well ("*the Participants*").

6.5.3 Within forty-eight (48) hours after the Operator's notice pursuant to sub-clause 6.5.2, the Participants shall give notice to the Operator of their decision whether or not to set casing and attempt a joint completion of such well for the purpose of taking production and whether or not they wish to join such attempt. The notice shall refer to a specific depth and completion zone and an estimate of the cost of such an operation.

Failure of a Participant to inform the Operator within that period shall constitute an election by such Participant not to participate in the completion attempt.

If no Participant is prepared to participate in the completion attempt, the Operator shall plug and abandon the well.

6.5.4 If less than all of the Participants elect to participate in the completion, then any Participant that wishes to proceed with the completion attempt ("*Completing Parties*") shall promptly, and in any case not more than forty-eight (48) hours after receipt of the Operator's notice pursuant to sub-clause 6.5.2, give further notice to the Parties specifying its intention to proceed with the attempt as a Sole Risk Operation.

6.5.5 Upon expiration of this period, the Operator shall notify all Parties of the names of the Completing Parties and the applicable provisions of Article XI shall apply mutatis mutandis, as if the setting of casing and the completion attempt were a Sole Risk Operation except that the recoverable costs shall relate and apply only with respect to those costs incurred subsequent to the Casing Point.

6.5.6 Standby costs incurred subsequent to when it is determined that less than all Participants wish to proceed with the completion attempt shall be charged and borne by the Completing Parties.

6.5.7 Any notice to be sent pursuant to this Article VI shall be by telex or facsimile and any time periods provided herein shall begin to run upon receipt by the sender of the answerback code for such telex or the recipient's facsimile number, as the case may be.

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## VII COSTS AND EXPENSES

### 7.1 Allocation of Costs and Expenses

All costs and expenses incurred by the Operator relating to Joint Operations pursuant to this Agreement including the handling, testing, storing and transporting to the point of delivery to the Parties of Petroleum produced from ATP 549P(1) shall, except as otherwise specifically provided herein, be charged to the Joint Account.

In addition, except as otherwise specifically provided herein, all costs and expenses and liabilities which have been incurred in contemplation of this Agreement shall be borne by the Parties in proportion to their Undivided Interests from time to time.

### 7.2 Accounting Procedure as Basis

The Accounting Procedure shall be the basis for all charges and credits to the Joint Account except to the extent that it conflicts herewith (in which case the provisions hereof shall prevail). The Operator shall keep its records of costs and expenses in accordance with the Accounting Procedure.

### 7.3 Operator to Pay and Recover From Parties

7.3.1 Subject to clause 7.4, the Operator may advance and pay all costs and expenses of Joint Operations.

7.3.2 On or before the last day of each month the Operator shall send to each Party a statement of that Party's Undivided Interest share of the cost and expenses actually paid by the Operator for the Joint Account during the preceding month, which statement shall include a breakdown of the Party's share of expenditures made for the Joint Account and the applicable rate of exchange to dollars of the currencies in which such expenditures were made offset by previous advances. Such statement shall include details of the allocation of costs and expenses to each outstanding AFE.

7.3.3 Each Party shall, within fifteen (15) days after receipt of the Operator's statement, pay to the Operator its share of that expenditure in dollars or such other currency or currencies, subject to requisite approvals under relevant exchange control laws, or as may be agreed between the Operator and that Party.

### 7.4 Advance of Costs and Expenses

7.4.1 The Operator may, at its election, require each Party to advance its Undivided Interest share of costs and expenses to be incurred for the Joint Account and royalties payable in cash to the Government. If the Operator so elects, it shall, not earlier than forty-five (45) and not later than fifteen (15) days prior to the first day of the month in which the costs and expenses for the Joint Account are to be disbursed, submit to each Party an itemised estimate of such Party's share of:

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- (a) cash payments expected to be made for the Joint Account for that operation for such month;
- (b) royalties payable to the Government during such month;
- (c) any expected cash receipts including interest earned for the Joint Account during such month; and
- (d) any excess cash from previous Cash Calls,

with a request for payment by such Party of any net amount required and the day or days during the month in which payment or payments are due and the names and addresses of the banking institutions where such funds are to be credited.

7.4.2 Notwithstanding the above or any provision of the Accounting Procedure, the Operator shall ensure that:

- (a) written estimates of Cash Calls expected to be made during the ensuing period of 3 months are provided to parties on a monthly basis;
- (b) whenever possible the Operator provides the Parties with at least 30 days' notice of the date upon which payment of a Cash Call is required; and
- (c) if any Party at any time objects to a Cash Call or any aspect thereof, the Operator shall provide a response addressing the issues raised in such objection in reasonable detail as soon as practicable after such objection is made.

7.4.3 The Operator shall maintain a separate account for the purpose of this Agreement and shall segregate from its own funds monies received hereunder for the Joint Account.

7.4.4 Each Party shall:

- (a) pay the Operator its Undivided Interest share of the cash payments (other than royalties and after the deduction of any cash receipts) so estimated or shall secure the payment thereof, on or before the day specified by the Operator which shall be no earlier than the first day of the month in which the payments are to be disbursed; and
- (b) pay the Operator its Undivided Interest share of the royalties payable to the Government during the month not less than seventy-two (72) hours before the date or respective date on which the same fall due.

7.4.5 Interest earned for the Joint Account shall be for the benefit of the Joint Account.

7.4.6 The Operator shall contribute to the Joint Account its Undivided Interest share of all such cash payments net of such receipts and royalties aforesaid at the same time as the other Parties are required to make their contributions. The Operator

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shall immediately notify the other Parties if it defaults by not making the contributions aforesaid.

- 7.4.7 Adjustments between estimated and actual costs shall be made by the Operator monthly and in any event at the end of the relevant Joint Operation, the accounts of the Parties shall be adjusted accordingly.

## VIII DEFAULT

### 8.1 Default by Party

Any Party which commits an Event of Default shall be a defaulting Party for the purposes of this Article VIII from the date of occurrence of such Event of Default until:

- (a) (i) the defaulting Party pays to the Operator every outstanding amount owed by the defaulting Party together with interest thereon calculated in accordance with clause 8.4; or
- (ii) the default is rectified or settled; or
- (b) the defaulting Party's Undivided Interest is transferred in accordance with clause 8.6.

For the purposes of sub-clause 8.3(a)(i), a defaulting Party shall be deemed to include an Affiliate of the defaulting Party.

### 8.2 Notice of Default

Within seven (7) days of an Event of Default, the defaulting Party shall or any other Party may notify each other Party of the nature and occurrence of such Event of Default. In the event that the Operator becomes aware of an Event of Default which the defaulting Party has failed to notify to each Party as aforesaid, then the Operator shall within seven (7) days of so becoming aware notify each Party of the nature and occurrence of such Event of Default. The notice aforesaid shall hereinafter be referred to as the "*Notice of Default*".

### 8.3 Removal of Rights

A defaulting Party shall:

- (a) not be entitled to:
  - (i) attend Operating Committee meetings or to vote on any matter coming before the Operating Committee unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party shall be in the proportion which its Undivided Interest bears to the total of the Undivided Interests of all the non-defaulting Parties; and any matters requiring unanimous vote of the Parties

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shall be deemed to exclude the defaulting Party including taking any action to maintain and preserve Authority to Prospect 549P to the extent pertaining to ATP 549P(1);

- (ii) have access to any data or information relating to Joint Operations except to the extent the Operating Committee agrees the defaulting Party shall receive such data and information as it may reasonably require to remedy its default or the tax or statutory returns and non-defaulting Parties shall be entitled to trade data without such defaulting Party's consent and the defaulting Party shall have no right to any data received on such trade;
  - (iii) receive its Undivided Interest share of Joint Account credits or any reimbursement therefor which shall instead accrue to and be applied to the credit of the non-defaulting Parties against the amounts paid by them pursuant to clause 8.5.1 in the proportion which their respective Undivided Interests bear to the total Undivided Interests of the non-defaulting Parties;
  - (iv) call or request the Operator to call a meeting of the Operating Committee;
  - (v) have access to ATP 549P(1); or
  - (vi) propose or participate in any Sole Risk Project pursuant to Article XI,
- (b) immediately forfeit all right to claim:
- (i) its share of production;
  - (ii) any monies owing to it with respect to ATP 549P(1) and this Agreement and unpaid by the Operator,
- until the default is remedied and to the extent that the value of any such share of production or the amount of any such monies is greater than the amount owed by the defaulting Party to the Operator or any non-defaulting Party, the excess shall be remitted to the defaulting Party,
- (c) join in with the non-defaulting Parties in any action required to retain and preserve Authority to Prospect 549P.

#### 8.4 Default Interest

Where an Event of Default under paragraph (a) of the definition thereof occurs, the amount unpaid shall bear interest at the Default Rate calculated on a daily basis from the date such amount was due until the date of actual payment.

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8.5 Payment of Monies Owed by Defaulting Party

8.5.1 The Operator shall be entitled to invoice each non-defaulting Party in proportion to its respective Undivided Interest, for any amount which the defaulting Party has failed to pay. Each non-defaulting Party shall pay any amount so invoiced within twenty-one (21) days after receipt of the invoice, and the total of all such amounts together with interest accrued shall constitute a debt due and owing by the defaulting Party to the non-defaulting Parties in proportion to such amounts paid.

8.5.2 If any non-defaulting Party fails to pay the Operator any amount invoiced to it in accordance with clause 8.4, such non-defaulting Party shall itself commit an Event of Default under paragraph (a) of the definition thereof.

8.5.3 Where a defaulting Party pays any outstanding amount owed by it, the non-defaulting Parties shall be entitled to receive their respective proportionate shares of the aforesaid amount and interest paid by the defaulting Party.

8.6 Transfer of Undivided Interest

8.6.1 If an Event of Default continues for twenty-eight (28) days after the Notice of Default, the defaulting Party shall pursuant to a notice ("*Transfer Notice*") sent by the Operator at the direction of the Operating Committee:

(a) assign its Undivided Interest to each non-defaulting Party in proportion to its respective Undivided Interest (or such other proportion as the non-defaulting Parties may agree), for a price determined by the Operating Committee to be the fair market value of the defaulting Party's Undivided Interest;

(b) assign its Undivided Interest to any other person, for such price as may be negotiated bona fide by the non-defaulting Parties.

8.6.2 Any assignment pursuant to this clause 8.6 shall be subject to all Governmental consents and approvals required by law. If any such consent or approval is refused, such assignment and any contract related thereto shall have no further force or effect.

8.6.3 Completion of an assignment to be effected pursuant to sub-clause 8.6.1 shall take place within fourteen (14) days after the receipt of all necessary approvals to the relevant assignment.

8.6.4 Upon completion of an assignment pursuant to sub-clause 8.6.1, the non-defaulting Parties shall be entitled to deduct from the price payable by them or, in the case of an assignment to a third party purchaser, to direct such purchaser to deduct from the price payable by it and pay the same to the non-defaulting Parties, all amounts as may be necessary to make good the amount of any outstanding monies owed by or to the account of the defaulting Party to a Party, the Operator or the Joint Account by the defaulting Party including, without limitation:

- (a) interest calculated in accordance with sub-clause 8.4 (in proportion to the amounts they have paid pursuant to clause 8.5);
- (b) any costs or expenses incurred by the non-defaulting Parties as a consequence of the occurrence of such Event of Default or of the assignment of the defaulting Party's Undivided Interest pursuant to this clause 8.6 (including but not limited to stamp duty, registration fees, valuation fees and legal fees); and
- (c) any costs which would be payable under clause 14.8.

8.6.5 The defaulting Party shall forthwith after being requested to do so by the non-defaulting Parties, do all such acts and things and execute and deliver all such transfers, deeds and other documents as are necessary to give effect to and complete any assignment pursuant to this clause 8.6.

8.6.6 The rectification of any Event of Default after service of a Transfer Notice shall not affect the provisions of this clause 8.6, which shall continue to have full force and effect.

#### 8.7 Power of Attorney

8.7.1 Each Party hereby irrevocably grants to the Operator a Power of Attorney, exercisable at any time after the date of service of a Transfer Notice upon that Party to be its Attorney and in its name and on its behalf to carry out, to execute, to sign, to seal and to deliver and to do all assurances, deeds, instruments, acts and things whatsoever which in the opinion of the non-defaulting Parties are necessary or expedient for the defaulting Party to carry out, execute, sign, seal, deliver or do for the purpose of enabling the non-defaulting Parties to carry on the objects of this Agreement and to give effect to the intent of clauses 8.5 and 8.6. The Operator shall give not less than seven (7) days' notice to a Party that it proposes to exercise this Power of Attorney in respect of that Party's Undivided Interest and shall supply with that notice a copy of the document to be executed. Promptly after executing the document the Operator will supply to the Party whose Power of Attorney was exercised an executed copy of that document.

8.7.2 Each Party hereby expressly declares that the Power of Attorney in sub-clause 8.7.1 expressly covers all acts necessary to effect any assignment, transfer or removal of the name of a defaulting Party from Authority to Prospect 549P to the extent pertaining to ATP 549P(1).

#### 8.8 Operator in Default

8.8.1 Where the Party in default is the Operator, any other Party may serve on the Operator the Notice of Default and the provisions of this Article VIII shall apply to such default as if the Party serving the Notice of Default were the Operator for the purposes of those provisions.

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8.8.2 The Operator hereby irrevocably grants to each of the Non-Operators, severally, a Power of Attorney, exercisable at any time after the date of service upon it of a Transfer Notice, to be its Attorney and in its name and on its behalf to carry out, to execute, to sign, to seal and to deliver and to do all assurances, deeds, instruments, act and things whatsoever which in the opinions of the non-defaulting Parties are necessary or expedient for the defaulting Operator to carry out, execute, sign, seal, deliver or do for the purpose of enabling the non-defaulting Parties to carry on the object of this Agreement and to give effect to the intent of clauses 8.5 and 8.6. One only of the non-defaulting Parties shall exercise this Power of Attorney and that non-defaulting Party shall give no less than seven (7) days' notice to the Operator that it proposes to execute this Power of Attorney in respect of the Operator's Undivided Interest and shall supply with that notice a copy of the document to be executed. Promptly after executing the document the non-defaulting Party will supply to the Operator and each other Party an executed copy of that document.

Each Party hereby expressly declares that the Power of Attorney in this sub-clause 8.8.2 expressly covers all acts necessary to effect any assignment, transfer or removal of the name of a defaulting Party from Authority to Prospect 549P to the extent pertaining to ATP 549P(1).

8.8.3 Any act or thing done by the Attorney on behalf of a defaulting Party under the powers conferred by clause 8.7 or sub-clause 8.8.2 shall bind the defaulting Party absolutely. The defaulting Party shall, at all times, indemnify and hold harmless the Attorney and other Parties, their directors, officers, employees and representatives from and against any and all claims, damages and liabilities arising out of any act or thing done, any obligation or responsibility assumed, by the Attorney or such other Parties on behalf of the defaulting Party.

#### 8.9 Non Penalty

The Parties agree that the rights conferred by this Article VIII do not constitute a penalty and are necessary to ensure maintenance of Authority to Prospect 549P to the extent pertaining to ATP 549P(1) in good standing. The defaulting Party acknowledges that:

- (a) the assumption by the non-defaulting Parties of the liability of the defaulting Party under the Act to observe and perform all of the conditions to which the ATP is subject, and which thereafter are to be observed and performed; and
- (b) the assumption pro rata by each of the non-defaulting Parties of the liability of the defaulting Party to the non-defaulting Parties to observe and perform the obligations of the defaulting Party in terms of this Agreement, and which thereafter are to be observed and performed,

are good and valuable consideration for the exercise by the other Parties of their right to take over and assume the whole of the Undivided Interest of the defaulting Party upon forfeiture.

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## IX OPERATOR'S DUTIES REGARDING DRILLING WELL FOR JOINT ACCOUNT

### 9.1 Pre-Commencement

Prior to commencing any well approved by the Operating Committee the Operator shall submit to each Party:

- (a) a draft AFE summarising the anticipated Drilling Costs, Equipping Costs and Completion Costs of the well; and
- (b) the Operator's proposed programme of drilling, coring, logging and testing the well supported by appropriate geophysical and geological data if these have not already been submitted to the Operating Committee,

and shall not commence such well until there has been a Majority Vote in favour of such AFE and such programme.

### 9.2 Records and Reports

- 9.2.1 The Operator shall keep detailed records of all Joint Operations including correct and separate books and accounts with respect to drilling and exploration and Petroleum produced, gathered, treated, processed, transported, fractionated, stored and delivered. The Operator shall furnish to each Party each month a statement of the amount of Petroleum so produced, gathered, treated, processed, transported, fractionated, stored and delivered during the preceding month. The Operator shall also furnish to each Party periodic reports of other Joint Operations, which reports shall include comprehensive statements furnished no less than once each month.
- 9.2.2 Each of the Parties shall be entitled, at its cost, to access at all reasonable times for the purpose of examination and copying, all books, records and information pertaining to Joint Operations including but not limited to those relating to amounts of Petroleum produced, gathered, treated, processed, transported, fractionated, stored and delivered and those relating to geological and geophysical surveys, drilling, production and gathering and those relating to plant and pipeline design, construction and costs.
- 9.2.3 At reasonable intervals having regard to the type and relative importance of any non-drilling operation being conducted (but not less than monthly or as may be instructed from time to time by the Operating Committee) the Operator will give to each Non-Operator (other than a Non-Operator from whom it is entitled to withhold information) a report on the progress and results of such non-drilling Joint Operations.

### 9.3 Drilling Information and Rights of Parties

During the drilling of any well for the Joint Account, and subject to the provisions of this Agreement regarding withholding information, the Operator

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shall furnish to each Party, subject to weather and communication conditions which prevent the Operator from so doing:

- (a) immediate notice by telex or facsimile of the date of spudding in of a well;
- (b) daily drilling and geological reports which shall include, but not be limited to, a summary of the next day's operations;
- (c) if requested, a complete set of washed samples of the cuttings of the formations penetrated;
- (d) access to all cores taken;
- (e) immediate advice by telex or facsimile of any porous zones with showings of Petroleum encountered and the proposed tests, if any, to be run on those porous zones;
- (f) at the expense and risk of each Party, access to the drilling rig to that Party's designated representative(s); and
- (g) any other information as directed by the Operating Committee.

#### 9.4 Testing Information to Parties

During the drilling of the well, the Operator in accordance with any relevant directions of the Operating Committee shall:

- (a) make such tests, as are warranted in the circumstances, of any porous zones with showings of Petroleum encountered or indicated by any survey;
- (b) take representative mud samples and drillstem test fluid samples in order to obtain accurate resistivity mud filtrate and formation water readings and supply each Party with all information relative thereto; and
- (c) supply each Party with copies of the drill test and service report on each drillstem test run, including copies of pressure charts provided that each Party shall be entitled to no more than two copies of each such report and related data.

#### 9.5 Logging Information to Parties

Subject always to the submission by the Operator to each Party of the proposed programme in accordance with sub-clause 9.1(b) during the drilling of the well, the Operator shall run log surveys agreed in the programme unless the running of such log surveys is prevented for mechanical or technical reasons or unless the approval of the Parties has been obtained to delete any such log surveys, and shall supply each Party with one reproducible copy (and other copies as requested at such Party's cost) of each log so run.

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## X CONFIDENTIAL INFORMATION - PROPRIETARY TECHNOLOGY

### 10.1 Information to be Kept Confidential

10.1.1 All information acquired by any Party in respect of Joint Operations, including, but not limited to, all data and related information which pertains to or results from any geophysical surveys or drilling operations which may be conducted under the terms hereof or any data or information contributed by any Party to the Joint Operations, shall be confidential and shall not unless otherwise mutually agreed between the Parties be disclosed to any other person not a Party to this Agreement except to:

- (a) an Affiliate of that Party provided that the Party providing the information uses all reasonable endeavours to ensure that such Affiliate keeps such information confidential;
- (b) the Government, as required by Authority to Prospect 549P to the extent pertaining to ATP 549P(1) or any Regulations;
- (c) a contractor or consultant employed by a Party including the Operator where disclosure of such data or information is essential to such contractor's work;
- (d) a bona fide prospective purchaser of part or all of a Party's Undivided Interest (including a corporation with which a Party is conducting bona fide negotiations directed toward a merger or consolidation); and
- (e) a bank or other financial institution to the extent necessary for a Party arranging for funding of its obligations hereunder or any other banking or financial reason whether for itself or any Affiliate.

In the case of paragraphs 10.1.1(c) to (e) inclusive, disclosure shall not be made until after the intended recipient has executed an undertaking to keep the information disclosed confidential at all times ("*Confidentiality Undertaking*") and, in addition, in the case of (d), shall require the return of all information disclosed in tangible form and all copies thereof upon request by the disclosing party. The Confidentiality Undertaking shall also contain an acknowledgment that certain of the information disclosed may be owned by the Parties and that the undertaking is also made for their benefit.

10.1.2 Nothing herein shall preclude a Party from making any public announcement or other disclosure reasonably necessary to comply with any statutory or regulatory obligation, including, but not limited to, disclosure obligations under applicable laws and the listing requirements of any stock exchange, provided always that in the case of a press release the text thereof is first approved in accordance with clause 22.1.

10.1.3 Notwithstanding the foregoing, a Party may for its sole benefit use such data and information in its evaluation of areas outside of ATP 549P(1) provided that such Party does not disclose the actual data or information to third parties (which term

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shall exclude parties holding an interest in Authority to Prospect 549P) in connection with its evaluation of such areas outside of ATP 549P(1).

## 10.2 Continuing Obligation

The obligations enumerated in this Article X shall be complied with, notwithstanding that:

- (a) a Party has ceased to be a party to this Agreement;
- (b) a corporation has ceased to be an Affiliate of a Party; or
- (c) this Agreement has been terminated,

until the earlier of the following:

- (i) one year after Authority to Prospect 549P is terminated, or
- (ii) such information becomes part of the public domain or is publicly available other than by reason of a breach by a Party of an obligation of confidentiality.

## 10.3 Data Trade

The Operator may, notwithstanding clauses 10.1 and 10.2, with the approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data, the cost of which has been charged to the Joint Account. In such event, the Operator shall enter into an undertaking with any third party to such trade to keep such information confidential.

## 10.4 Non-Participating Party Denied Information

A Party not participating in a well being drilled, or which has been drilled, shall not be entitled to access to the wellsite or any information with respect to the well until the expiration of ninety (90) days after the date of the release of the rig used in the drilling of the well, PROVIDED however, that any Party which is withholding well information pursuant to this clause 10.4 shall not propose or conduct any further operation on ATP 549P(1) until it has released such information to the non-participating Parties.

# XI SOLE RISK PROJECTS

## 11.1 Preliminary

Any Party may undertake sole risk seismic operations as described in sub-clause 11.2.2(a) ("*Sole Risk Seismic*"), sole risk drilling as described in sub-clause 11.2.2(b) ("*Sole Risk Drilling*") or sole risk development as described in sub-clause 11.2.2(c) ("*Sole Risk Development Project*") within ATP 549P(1) (any of

which being a "*Sole Risk Project*") subject to the following provisions of this Article XI.

## 11.2 General Provisions

11.2.1 Subject to sub-clause 11.3.1(b) no Sole Risk Project may be carried out if:

- (a) it is substantially similar to or interferes with all or part of any current programme approved by the Operating Committee at the proposed commencement of the Sole Risk Project; or
- (b) it is in respect of work or other operations which are part or all of the Work Obligation.

11.2.2 Only the following types of Sole Risk Project may be proposed:

- (a) Sole Risk Seismic consisting of seismic operations within ATP 549P(1) which has been proposed to and rejected by the Operating Committee;
- (b) subject to clause 11.3, Sole Risk Drilling consisting of:
  - (i) the drilling of an Exploratory Well or the deepening or sidetracking of a suspended Exploratory Well (including to a different stratigraphic level to that in which the Petroleum was found to be present within that known closure and which Exploratory Well is not completed in the horizon in which the Petroleum was found to be present);
  - (ii) the deepening, sidetracking or plugging back of a well which is in the course of being drilled and which does not form part of a development programme, provided always that unless the Operating Committee otherwise agrees, any test programme by the Parties must have been carried out, the Parties informed of the result and a decision of the Operating Committee taken to abandon the well before any such deepening, sidetracking or plugging back is carried out;
  - (iii) the drilling of an Appraisal Well;
  - (iv) the drilling of a Development Well; or
  - (v) the completion of any well drilled hereunder by setting casing and attempting a completion in accordance with clause 6.5 and the testing thereof; and
- (c) a Sole Risk Development Project consisting of the development of a Discovery to the extent necessary to enable Petroleum recovered to be taken by the Sole Risk Party for delivery to a purchaser, which Development

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Project has been proposed to and rejected by the Operating Committee, including the application for the issue of a petroleum lease for production of Petroleum.

11.2.3 Any Sole Risk Project shall be carried out at the sole risk, cost and expense of the Party proposing such project and any other Party electing to join such project as hereinafter provided ("*Sole Risk Party*"). If a Sole Risk Project is undertaken by more than one Sole Risk Party the risk and cost thereof shall be borne by each Sole Risk Party in the proportion that its Undivided Interest bears to the sum of the Undivided Interests of the Sole Risk Parties or in such other proportion as the Sole Risk Parties may agree.

11.2.4 A Sole Risk Party shall:

- (a) exercise all necessary precautions to ensure that a Sole Risk Project does not jeopardise, hinder or unreasonably interfere with the Joint Operations;
- (b) indemnify and hold harmless the Non-Sole Risk Parties against all actions, claims, demands and proceedings whatsoever whether brought by any third party (including without limitation any employee of the Sole Risk Party) arising out of or in connection with the Sole Risk Project and against all costs, losses and expenses whatsoever, whether directly or indirectly caused arising out of or in connection with the Sole Risk Project;
- (c) keep Authority to Prospect 549P to the extent pertaining to ATP 549P(1) free from all liens, charges and encumbrances which might arise by reason of the conduct of the Sole Risk Project; and
- (d) conduct the Sole Risk Project substantially in accordance with the terms of the proposal considered by and rejected by the Operating Committee.

The approval by a Non-Sole Risk Party of the conduct of a Sole Risk Project (whether or not such approval is required) shall not constitute a waiver of the provisions of this sub-clause 11.2.4.

11.2.5 A Sole Risk Party wishing to use Joint Property for a Sole Risk Project shall give notice to all the Parties stating the purposes for which the Joint Property is to be used. Within thirty (30) days after such notice, the Operating Committee shall decide whether such Sole Risk Party shall be authorised so to use Joint Property and, if so, the terms and conditions upon which it may be used, it being understood that the use of Joint Property shall not be unreasonably withheld and that the charges for such use shall be on a cost-recoupment basis or replacement basis, whichever is higher.

11.2.6 A Sole Risk Party shall be entitled to use for a Sole Risk Project any data and information which it jointly owns with the Non-Sole Risk Parties.

Data and information obtained in respect of Sole Risk Drilling shall not be made available pursuant to clause 9.3 to the Non-Sole Risk Parties but shall remain the property of the Sole Risk Party, until and in the event that one or more of the

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Non-Sole Risk Parties discharges its full liability to the Sole Risk Party under clause 11.4 when such data and information shall become the joint property of the Parties discharging such liability and the Sole Risk Party.

11.2.7 Subject to sub-clause 11.2.5 and any necessary Government consent or approval, the Sole Risk Project shall be carried out by the Operator.

Subject to any necessary Governmental consent or requirement:

- (a) if the Sole Risk Project does not involve use of Joint Property (other than casing or ATP 549P(1)), then it may be carried out by a Sole Risk Party which is not the Operator;
- (b) if the Operator is a Non-Sole Risk Party then:
  - (i) in the case of Sole Risk Drilling, the Operator may decline to carry out the Sole Risk Drilling; and
  - (ii) in the case of a Sole Risk Development Project, the Operator shall not carry out the Sole Risk Development Project unless all Parties agree.

The Operator shall make all applications and submissions to the Government and the Minister to obtain the necessary consent or approval to a Sole Risk Party acting as the Operator of the Sole Risk Project. If such consent or approval is not forthcoming, then the Operator shall carry out the Sole Risk Project but only if it does not interfere with or impede the conduct of Joint Operations.

In the event that the Sole Risk Project is carried out by the Sole Risk Party or, if more than one Party takes part in the Sole Risk Project by a Sole Risk Party appointed by them, in respect of the conduct of such Sole Risk Project such Sole Risk Party shall, unless the context otherwise requires, be deemed to be the Operator for the purposes of this Agreement.

11.2.8 A Sole Risk Development Project will in respect of the area therein be regarded as creating a Sub-Area and this Agreement shall so far as possible apply independently in the manner of a separate contract to such Sub-Area and apply mutatis mutandis to the Parties which participate in such Sole Risk Development Project, provided that:

- (a) a petroleum lease in respect of the Sub-Area shall be applied for in the names of all Parties and upon grant of the petroleum lease, the Non Sole Risk Parties shall acknowledge that they have no interest in the Sub-Area or the Petroleum in such Sub-Area, whether by way of declaration of trust or otherwise. Such acknowledgment shall not extend to or affect the Non Sole Risk Party's interest in the balance of the area of the petroleum lease granted;
- (b) all Parties shall have a right of access to the Sub-Area; and

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- (c) there shall be no separate right of assignment, withdrawal or surrender, and accordingly Articles XIV and XVI and this Article XI shall not apply independently to such separate contract.

The Sub-Area shall extend only to the reservoir which is discovered, tested, appraised or developed by the Sole Risk Project. The extent of the Sub-Area shall be agreed by the Parties and in default of agreement may be referred to the Independent Expert for determination.

#### 11.2.9 In connection with any Sole Risk Project:

- (a) the Sole Risk Project will be carried out under the overall supervision and control of the Sole Risk Party in lieu of the Operating Committee;
- (b) the computation of costs and expenses of the Sole Risk Project incurred by the Sole Risk Party shall be made in accordance with the principles set out in the Accounting Procedure;
- (c) the Operator or the Sole Risk Party carrying out the Sole Risk Project shall maintain separate books, records and accounts (including bank accounts) for the Sole Risk Project which shall be subject to the same right of examination and audit by the Sole Risk Parties (and, so long as they are entitled to elect to participate in the Sole Risk Project, and pursuant to clause 10.3 the Non-Sole Risk Parties) as those relating to Joint Operations;
- (d) the costs and expenses of the Sole Risk Project shall not be reflected in the statements and billings rendered by the Operator for the Joint Operations;
- (e) if the Operator is carrying out a Sole Risk Project on behalf of a Sole Risk Party, the Operator shall be entitled to make Cash Calls on the Sole Risk Party in connection with the Sole Risk Project and shall not use Joint Account funds or be required to use its own funds for the purpose of paying the costs and expenses of the Sole Risk Project. Furthermore, the Operator shall not be obliged to commence or, having commenced, to continue the Sole Risk Project, unless and until the relevant advances have been received from the Sole Risk Party; and
- (f) the Non Sole Risk Parties shall co-operate with and give all reasonable assistance to the Sole Risk Parties to secure a petroleum lease for a Sole Risk Development Project.

### 11.3 Sole Risk Drilling

11.3.1 No Sole Risk Drilling under sub-clause 11.2.2(b)(i) or (ii) may be proposed unless:

- (a) such drilling was proposed to the Operating Committee by any Party at the time of the consideration of the current operating programme in accordance with Article VI but was not included in such programme; or

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- (b) having been included in the current operating programme, a Majority Vote in favour of an AFE (or the relevant part thereof) has not been obtained relating to such drilling within thirty (30) days of submission of such AFE to the Parties, provided that a decision by the Operating Committee to change the timing of such drilling within the ATP Year to which the current operating programme relates shall not be a vote against the AFE for the purpose of this sub-clause 11.3.1(b).

11.3.2 No Sole Risk Drilling of an Appraisal Well may be proposed unless:

- (a) the Operating Committee has voted against or failed to vote in favour of a proposal to instruct the Operator to drill the Appraisal Well; or
- (b) the Operator has abandoned or completed an Appraisal Well and the Operating Committee has voted against or failed to vote in favour of any additional Appraisal Wells or other operations related to the appraisal of a Discovery or a proposal to instruct the Operator to prepare a development programme in respect thereof.

11.3.3 No Sole Risk Drilling of a Development Well may be proposed unless:

- (a) such drilling was proposed to the Operating Committee by any Party at the time of the consideration of the current operating programme in accordance with Article VI but was not included in such programme; or
- (b) having been included in the current operating programme, the Parties have voted against or failed to vote in favour by Majority Vote of an AFE relating to such drilling within thirty (30) days of submission of the draft AFE to the Parties.

11.3.4 Subject to sub-clauses 11.3.1, 11.3.2 and 11.3.3, if a Party wishes to propose drilling a well as a Sole Risk Project, it shall give notice to the other Parties setting out:

- (a) the proposed location of such drilling; and
- (b) all other relevant information including, but not limited to, the date on which it proposes that operations should be started, such date being not more than one hundred and eighty (180) days from the date of such notice.

If that Sole Risk Project is not commenced by that date then the procedure set out above must be undertaken again as if it were a new proposal.

Each of the Parties which receives such a notice shall respond to it by notice to the other Parties, within thirty (30) days thereof, electing whether or not to participate. Any Party failing to respond within that period shall be deemed to have elected not to participate.

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- 11.3.5 If a Party wishes to propose Sole Risk Drilling under sub-clause 11.2.2(b)(ii), it shall give as much notice as possible to the other Parties setting out such relevant information as is necessary in order to allow the other Parties to consider the proposal and elect within the period hereinafter specified whether or not to participate. Each of the Parties receiving such a notice shall respond to it, by notice to the other Parties, within forty-eight (48) hours of the receipt thereof (or within such longer period as may be specified in the notice), electing whether or not to participate. Any Party failing to respond within that period shall be deemed to elect not to participate. A Party which proposes a Sole Risk Drilling operation pursuant to this sub-clause 11.3.5 shall be responsible for drilling rig standby time and operating expenses from the date it lodges its proposal, subject to its right of reimbursement (if any) from any other Party which may elect in due course to become a Sole Risk Party.
- 11.3.6 If all the Parties participate, the operations shall be carried out by the Operator as part of the Joint Operations and, if appropriate, the current operating programme pursuant to Article VI shall be deemed amended accordingly. The Operator shall thereupon promptly notify the Parties of the consequential amendments to the current budget.
- 11.3.7 If fewer than all the Parties participate, the Party proposing the Sole Risk Drilling together with any other Parties which have elected to participate may, subject to the provisos to sub-clause 11.2.2(b)(i) or (ii) in the case of Sole Risk Drilling thereunder, within thirty (30) days following the expiration of the said notice require the Operator (subject to sub-clause 11.2.7) to undertake the Sole Risk Drilling. In such event, if the same arose as a result of the Operating Committee voting against or failing to vote against or failing to vote in favour of an AFE under a current operating programme pursuant to clause 6.2, such operating programme shall be deemed amended accordingly and the Operator shall promptly notify the Parties of the consequential amendments to the current budget.
- In the case of a notice given under sub-clause 11.3.3, the Sole Risk Drilling may not be commenced later than one hundred and eighty (180) days following such notice subject to the proviso in that sub-clause and, in the case of a notice given under sub-clause 11.3.4, the Sole Risk Drilling may be commenced as soon as possible to do so without interference to the Joint Operations on that well.
- 11.3.8 If any Sole Risk Project results in a dry hole, the Operator (or the deemed Operator appointed pursuant to sub-clause 11.2.7) shall plug and abandon the well in accordance with the Regulations and each of the Sole Risk Parties shall bear its share of the total cost, risk and expense of plugging and abandoning in accordance with sub-clause 11.2.3.
- 11.3.9 The Non-Sole Risk Parties that participated in the drilling, deepening or sidetracking of a well used in a subsequent Sole Risk Project shall remain liable for and pay their proportionate shares of the costs of plugging and abandoning the Sole Risk Well and restoring the surface location only to the extent that such costs are not increased by the Sole Risk Operations and the Sole Risk Parties shall be responsible to pay their proportionate share of any such increased amount.

#### 11.4 Sole Risk Payment

11.4.1 If Sole Risk Drilling carried out under sub-clause 11.2.2(b) should result in a Discovery, confirm the recoverability of Petroleum or, as the case may be, result in the recovery of Petroleum, the Sole Risk Parties shall be entitled to the following premiums:

- (a) if such well is completed for production, the Sole Risk Parties shall be entitled to such well to the exclusion of the Non-Sole Risk Parties and shall be deemed vested with and shall be entitled to take all production therefrom until the value thereof (calculated by reference to the Market Value thereof after first deducting Government royalty and Operating Costs of the well during the period of reimbursement) shall equal one hundred percent (100%) of the Drilling Costs, Completion Costs and Equipping Costs referable to that Sole Risk Operation; or
- (b) if the well is not completed for production, such Drilling Costs shall be paid by the taking by the Sole Risk Parties of what would otherwise be the Non-Sole Risk Parties' share of production from any and all subsequent wells completed for production in the same Petroleum accumulation(s) as the Sole Risk well which are drilled within ATP 549P(1) to a value (calculated by reference to the Market Value thereof after first deducting Government royalty and Operating Costs of the well(s) applicable to such share which are borne by the Sole Risk Parties) equal to such Drilling Costs until such recovery is accomplished.

In addition, and regardless of whether such well is completed for production or not, the Sole Risk Parties shall after the recovery of such costs set out in paragraph (a) or, as the case may be, (b), be entitled to receive all of the Non-Sole Risk Parties' share of production ("*Premium Share of Production*") from such well and, in cases other than Sole Risk Wells drilled under sub-clause 11.2.2(b)(v), any and all subsequent wells completed for production in the same Petroleum accumulation(s) as the Sole Risk well which are drilled on within ATP 549P(1) until the Sole Risk Parties have received or been credited with production which would have been attributable to the Non-Sole Risk Parties had they participated in such well the value of which (calculated by reference to the Market Value of such Premium Share of Production) shall be as follows:

- (i) for Sole Risk wells drilled under sub-clause 11.2.2(b)(i) and (ii), an amount equal to seven hundred percent (700%) of the said Drilling and Completion Costs (but not Equipping Costs);
- (ii) for Sole Risk wells drilled under sub-clause 11.2.2(b)(iii), an amount equal to five hundred percent (500%) of the said Drilling and Completion Costs (but not Equipping Costs);
- (iii) for Sole Risk wells drilled under sub-clause 11.2.2(b)(iv) or (v), an amount equal to three hundred percent (300%) of the said Drilling and Completion Costs (but not Equipping Costs);

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(iv) for the costs of equipping any Sole Risk well drilled hereunder, an amount equal to one hundred percent (100%) of the Equipping Costs.

11.4.2 Any Non-Sole Risk Party wishing to acquire Sole Risk Seismic data shall pay to the Sole Risk Party in consideration for the supply of such Sole Risk Seismic data, two hundred percent (200%) of the costs of such seismic project as would have been borne by such Non-Sole Risk Party had the project been conducted as part of Joint Operations and such data shall not be disclosed to any other party.

11.4.3 For the purpose of this clause 11.4 and sub-clause 13.2(h) "*Market Value*" means the price which would be arrived at for an international arm's length transaction between a willing buyer and a willing seller for the type and grade of Petroleum in question. The Market Value may be agreed between the Sole Risk Party and the Non-Sole Risk Party or, failing agreement, determined by an Independent Expert appointed for the purpose by such Parties pursuant to clause 24.1. Any fees and costs incurred by the expert shall be borne equally by the Sole Risk Party and the Non-Sole Risk Party.

11.4.4 If a Sole Risk Project comprises an operation specified in sub-clause 11.2.2(b)(i) and such operation does not result in a Discovery, the relevant Sole Risk Parties shall, upon completion of such operation forthwith at their expense do all things necessary or desirable in accordance with good oilfield practice to plug the well back to its level immediately prior to such operation.

## XII DISCOVERY

### 12.1 Appraisal Operation

Within ninety (90) days of any Discovery (other than as a result of a Sole Risk Operation pursuant to Article XI) the Operating Committee shall decide whether such Discovery requires the carrying out of appraisal operations.

### 12.2 Appraisal Programme and Budget

If the Operating Committee decides that appraisal operations shall be carried out the Operator shall within sixty (60) days after such decision submit to the Operating Committee an appraisal programme and corresponding budget for the remainder of the current ATP Year or for longer periods where the Operator thinks advisable or the Operating Committee so directs.

Within sixty (60) days of such submission, the Operating Committee shall decide upon an appraisal programme and budget. An approved appraisal programme and budget shall be deemed to be a final programme and final budget.

### 12.3 Sole Risk

If the Operating Committee fails to reach a decision to carry out such appraisal operations or to approve an appraisal programme and budget or decides in the

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negative, a Party of Parties may have works carried out as Sole Risk Operations in accordance with Article XI.

#### 12.4 Report on Appraisal Operation

Within ninety (90) days after completion of appraisal operations carried out pursuant to clauses 12.2 or 12.3 as a Joint Operation, the Operator shall submit to all the Parties a report giving complete information on the results of such operations. Not less than forty-five (45) nor more than sixty (60) days after such submission the Operating Committee may:

- (a) decide to terminate all such appraisal operations; or
- (b) continue appraisal activities; or
- (c) decide to conduct further studies leading to possible development of and/or production from any Field in which case the Parties shall consider and negotiate in good faith in order to agree upon a new joint venture agreement for the development and production which shall be based on this Agreement and shall contain such amendments necessary to this Agreement or desirable to take into account such development and production, including:
  - (i) provision for a production programme and budget separate to the exploration and the appraisal programmes and budgets;
  - (ii) revisions allowing a Party to deal with its interests in a petroleum lease separately from its interest in ATP 549P(1);
  - (iii) provision for execution of an appropriate deed of cross-charge; and
  - (iv) appropriate revisions to the Accounting Procedure, specifically the calculation of administrative overhead;
  - (v) appropriate revisions to the letting of contracts, sub-clause 4.13.1;
  - (vi) provision for purchase of a defaulting Party's Undivided Interest upon default by such Party; and
  - (vii) provision (either in the agreement or by way of separate agreement) for Security for Abandonment costs as required by clause 15.2,

provided that until such amendments are agreed upon, the provisions of this Agreement shall continue to bind the Parties and shall, mutatis mutandis, apply to such development and production.



### XIII RIGHTS TO PETROLEUM

#### 13.1 Ownership

Subject to the following provisions of Article XIII, each Party shall have the right and obligation to take in kind and to sell or otherwise dispose of its Undivided Interest share pursuant to this Agreement of all Petroleum produced from ATP 549P(1) excepting so much thereof as may be required by the Operator in connection with the conduct of Joint Operations for the Parties hereunder or as is unavoidably lost.

#### 13.2 Offtake Agreement

If Oil is to be produced from ATP 549P(1), the Parties shall in good faith, and not less than ninety (90) days prior to the anticipated date of first delivery of Oil, negotiate and conclude the terms of an agreement to cover the offtake of Oil produced. This offtake agreement shall make provision for:

- (a) the delivery point, at which title and risk of loss of the Oil shall pass to the Parties (or as the Parties may otherwise agree);
- (b) the Operator's regular periodic advice to the Parties of estimates of total available production for succeeding periods, Undivided Interest shares and grade of crude Oil, for as far ahead as is necessary for the Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of Oil total available production and deliveries for the preceding period, inventory and overlifts and underlifts;
- (c) nomination by the Parties to the Operator of acceptance of their Undivided Interest share of total available production of Oil for the succeeding period. Such nominations shall in any one period be for each Party's entire Undivided Interest share arising during that period subject to operational tolerances and agreed minimum economic cargo sizes or as the Parties may otherwise agree;
- (d) elimination of overlifts and underlifts;
- (e) if offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;
- (f) distribution to the Parties of entitlements to Oil to ensure, to the extent Parties take delivery of their entitlements in proportion to the accrual of such entitlements, that each Party shall receive current entitlements of grade, gravities and qualities of Petroleum similar to Petroleum received by each other Party;
- (g) to the extent that distribution of entitlements to Oil on such basis is impracticable due to availability of facilities and minimum cargo sizes, a method of making periodic adjustments; and

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- (h) the option and the right of the other Parties to sell an entitlement which a Party fails to nominate for acceptance pursuant to paragraph (c) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of the Operator's or Parties' obligations under the terms of the offtake agreement or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption to Joint Operations. The Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen.

Any sale shall be of the unominated or undelivered entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual commitments.

Sales to third parties shall be for the realised price f.o.b. the place of delivery to the buyer. Sales to any of the Parties or their Affiliates shall be at current Market Value f.o.b. the place of delivery to the buyer. The proceeds of such sale shall be paid to the Party arranging the sale who shall pay to the Party whose entitlement is involved the above price after deduction of all costs, including storage costs, incurred in respect of such sale and a marketing fee of an agreed percentage of the applicable price less deductions, reflecting actual costs of disposal at immediate notice, as soon as practicable thereafter.

### 13.3 Separate Agreement for Gas

The Parties recognise that if Gas is discovered it may be necessary for the Parties to enter into special arrangements for the disposal of the Gas and the Parties shall, in good faith, negotiate and conclude the terms of an agreement to cover such arrangements.

### 13.4 Non Application to Sole Risk

Except in accordance with this clause 13.4, Petroleum produced from a Sole Risk Well shall not be included within the provisions of this Article XIII. If and when this Agreement is applied as between fewer than all the Parties hereto in the manner of a separate contract to a Sole Risk Well as provided in Article XI, Petroleum produced from such a Sole Risk Well may be included under the formula determined in accordance with clause 13.2 as applied solely between those Parties.

## XIV SURRENDER AND WITHDRAWAL

### 14.1 Right to Surrender and Withdraw

Subject always to the terms and conditions of Authority to Prospect 549P, no Party shall surrender its interest in ATP 549P(1) nor shall any Party surrender its

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interest under this Agreement or withdraw in whole or in part from this Agreement except as provided herein.

#### 14.2 Selection of Area Required to be Surrendered

14.2.1 If at any time surrender of any portion of the area constituted by the blocks that are the subject of Authority to Prospect 549P should be required by operation of law or by the terms and provisions of Authority to Prospect 549P, the Operator shall give at least sixty (60) days' written notice to the Operating Committee, setting forth in detail the reasons for such surrender and a description of the areas within ATP 549P(1) which the Operator suggests be surrendered in compliance with such requirement.

14.2.2 The Parties shall consider all matters relevant to the question of such surrender, and shall, within thirty (30) days, determine and notify the Operator of the decision to be carried out. Failure of any Party to notify the Operator of its decision within such period of time shall be deemed to be a decision and notification by such Party in accordance with the Operator's suggestion.

If the Parties do not unanimously agree on the question of such surrender the Operator shall immediately call a meeting of the Operating Committee to select the area to be surrendered, such decision to be made by Majority Vote provided that it is acknowledged and agreed the proportion that the number of blocks for surrender from ATP 549P(1) bears to the total number of blocks within ATP 549P(1) at the time in question, shall be equal to the proportion that the number of blocks for surrender from Authority to Prospect 549P (excluding those blocks for surrender within ATP 549P(1)) bears to the total number of blocks within Authority to Prospect 549P at the time in question (excluding the blocks within ATP 549P(1)).

#### 14.3 Voluntary Surrender of Area

Any Party may at any time propose to the other Parties that one or more portions of ATP 549P(1) be surrendered, which proposal shall, subject to the granting of any necessary consents, be given effect if approved by all Parties.

#### 14.4 Withdrawal from this Agreement and Surrender of Interest in ATP

Subject to appropriate Ministerial approval, any Party may, subject to the completion of the then current Work Obligation, give written notice in accordance with clause 14.5 of its intention to withdraw from this Agreement and surrender its Undivided Interest hereunder to the other Parties, provided that such right may only be exercised at the times allowed by Authority to Prospect 549P.

#### 14.5 Procedure for Withdrawal and Surrender

14.5.1 Subject as aforesaid and as provided below with respect to Ministerial approval and unless otherwise unanimously agreed between the Parties, a Party's withdrawal from this Agreement and surrender of its Undivided Interest shall be effective on the last day of the ATP Year in which written notice is given,

provided such notice is given to each of the other Parties at least sixty (60) days prior to the end of such ATP Year or within ten (10) working days after a programme and budget for a forthcoming ATP Year was approved if a withdrawing Party voted against such programme and budget, whichever is the later.

14.5.2 Subject to clause 14.6, where a Party has given to all other Parties notice of intent to withdraw, such Party shall cease to be entitled to vote on any matters submitted to the Operating Committee affecting or applying to operations to be conducted with respect to the interest surrendered on and from the effective date of such withdrawal.

14.5.3 Where a Party has given to all other Parties notice of intent to withdraw, such Party shall, prior to withdrawal, provide to the other Parties Security in a form reasonably satisfactory to the other Parties to satisfy any obligations or liabilities which were approved or accrued prior to notice of withdrawal but which become due after its withdrawal, including without limitation security to cover the costs of an Abandonment or liabilities and obligations under sub-clause 14.8.1, if applicable and which form of Security must state the maximum total liability of the withdrawing Party.

#### 14.6 Transfer of Undivided Interest in ATP on Withdrawal

14.6.1 On or before the date on which such withdrawal shall become effective as provided herein, the withdrawing Party shall transfer its Undivided Interest hereunder in ATP 549P(1), this Agreement and in the Joint Property to each of the other Parties in the proportion that the Undivided Interest of each bears to the sum of their Undivided Interests or as such non-withdrawing Parties may otherwise mutually agree.

14.6.2 Such withdrawal and transfer shall have no force or effect and, subject to clause 14.8, the withdrawing Party shall not be released from its obligations hereunder until all applicable laws and regulations with respect to the interest to be transferred have been complied with and all required Governmental or Ministerial approvals are obtained. The withdrawing Party shall execute and deliver any and all documents (including a Deed of Assumption) and do such other and further acts as may be necessary to give legal effect to such transfer and shall assist the non-withdrawing Party or Parties in obtaining such consent thereto or confirmation or recognition thereof by the Government as may be necessary or appropriate.

#### 14.7 Costs and Expenses of Transfer

Any transfer made pursuant to clause 14.6 shall be at the sole cost and expense, including but not limited to, any transfer fees, stamp duty, other duties or taxes, of the withdrawing Party, and without cost or charge of any kind to the non-withdrawing Parties.

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## 14.8 Liabilities of Withdrawing Party

14.8.1 Without detracting from clause 7.2, the withdrawing Party shall remain liable in accordance with its Undivided Interest, on and from the effective date of withdrawal, for

- (a) all obligations incumbent upon it by operation of law together with all such obligations arising from any request, direction or order of any Governmental body in relation to the restoration of the surrounding environment or any other clean up or like operations relevant to operations or wells or facilities in which such Party participated;
- (b) its proportionate share of all obligations, commitments, liabilities, costs and expenses referable to operations conducted prior to the effective date of withdrawal (including, but not limited to, taxes and similar charges):
  - (i) incurred by or assessed against the Operator or accrued or contracted for prior to the effective date of such Party's withdrawal in accordance with this Agreement; and
  - (ii) where Article XV does not apply, that in any way relate to the Abandonment of Joint Operations of any Sole Risk Development in which such Party participated. If Abandonment occurs within five (5) years after the effective date of withdrawal; and
- (c) all obligations incumbent on it under Articles VIII and XV,

provided that, subject to sub-clause 14.5.3, it shall not incur any financial responsibility for obligations, costs and expenses, with respect to the interest surrendered, accruing after the effective date of withdrawal under any programme or budget adopted by the Operating Committee for any ATP Year following the one in which notice of withdrawal is given.

14.8.2 Whenever necessary, the withdrawing Party shall join in any acts required for the maintenance of rights or privileges under Authority to Prospect 549P to the extent pertaining to ATP 549P(1) at the cost of the remaining Parties.

## **XV ABANDONMENT OF PRODUCING FIELD**

### 15.1 Responsibility of Parties

15.1.1 The costs, expenses, obligations and liabilities of or in connection with Abandonment in respect of all Joint Operations and Joint Property shall be paid, borne and discharged by each Party in proportion to its respective Undivided Interest.

15.1.2 Without limitation to the foregoing, the costs, expenses, obligations and liabilities of Abandonment of a Field shall be paid, borne and discharged by each Party in proportion to its Undivided Interest.

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## 15.2 Abandonment Security

If the Parties are or become obliged to pay or contribute to the cost of Abandonment, then the following provisions shall apply:

- (a) during preparation of a development plan for a Development Project, the Parties shall negotiate and agree a Security agreement, which shall be completed and executed by all Parties participating in the Development Project prior to application for a petroleum lease. The Security agreement shall incorporate the following principles:
- (i) Security shall be provided by each such Party for each calendar year commencing with the calendar year in which the Discounted Net Value equals one hundred and twenty-five percent (125%) of the Discounted Net Cost;
  - (ii) the amount of Security required to be provided by each such Party in any calendar year (including Security previously provided which will still be current throughout such calendar year) shall be equal to the amount by which one hundred and twenty-five percent (125%) of the Discounted Net Cost exceeds the Discounted Net Value.

*"Discounted Net Cost"* means that portion of each Party's anticipated before tax cost of abandoning a development in accordance with the applicable law which remains after deduction of salvage value. Such portion should be calculated at the anticipated time of Abandonment and discounted at the Discount Rate to December 31 of the calendar year in question.

*"Discounted Net Value"* means the value of each Party's estimated Entitlement which remains after payment of estimated liabilities and expenses required to win, save and transport such production to the delivery point and after deduction of estimated applicable taxes, royalties, imposts and levies on such production. Such Entitlement shall be calculated using estimated market prices, and including taxes on income, discounted at the Discount Rate to December 31 of the calendar year in question. No account shall be taken of tax allowances expected to be available in respect of the costs of Abandonment.

*"Discount Rate"* means the rate per annum equal to the one (1) month term LIBOR rate for U.S. dollar deposits as published by The Wall Street Journal or if not published then by the Financial Times of London effective as of thirty (30) Business Days prior to the start of a calendar year.

*"Entitlement"* means a Party's Undivided Interest share of Petroleum produced from the Development Project.

- (b) Failure to provide Security shall constitute default under this Agreement.

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### 15.3 Abandonment of Wells Drilled as Joint Operations

- (a) Any well which has been drilled as a Joint Operation and which is proposed to be plugged and abandoned shall not be plugged and abandoned without the consent of all Parties.
- (b) If all the Parties consent to Abandonment, such well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the Parties who participated in the cost of drilling such well.
- (c) If all Parties do not agree to the Abandonment of such well, those wishing to continue operations shall assume financial responsibility over the well and shall be deemed to be Sole Risk Parties conducting a Sole Risk Project pursuant to Article XI. In the case of a producing well, the Sole Risk Parties shall be entitled to continue producing only from the zone open to production at the time they assumed responsibility for the well.
- (d) Sole Risk Parties taking over a well as provided above shall tender to each of the other (abandoning Parties) such abandoning Party's Undivided Interest share of the value of the well's salvageable material and equipment, determined in accordance with the Accounting Procedure, less the estimated cost of salvaging and the estimated cost of plugging and abandoning as of the date the Sole Risk Party assumed responsibility for the well; provided, however, that in the event the estimated cost of plugging and abandoning and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning Parties shall continue to be liable for their respective Undivided Interest shares of the estimated excess cost.
- (e) Each abandoning Party shall be deemed to have relinquished to the Sole Risk Parties in proportion to their Undivided Interests all of its interest in the wellbore of a produced well and related equipment insofar and only insofar as such interest covers the right to obtain production from that wellbore in the zone then open to production.
- (f) Subject to clause 11.2.7, the Operator shall continue to operate a produced well for the account of the Sole Risk Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

### 15.4 Abandonment of Sole Risk Projects

This Section shall apply mutatis mutandis to the Abandonment of a Sole Risk Well or any well in which Sole Risk Project has been conducted; provided that no well shall be permanently plugged and abandoned unless and until all Parties having the right to conduct further operations in such well have been notified of the proposed Abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of clause 15.3.

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## XVI DISPOSITION OF INTERESTS

### 16.1 Restriction

No assignment or transfer of or sublease, trust, royalty interest or any other interest created in favour of a third party of or over an Undivided Interest ("*Dealing*") shall be made by any Party in breach of the terms and conditions attached to Authority to Prospect 549P to the extent pertaining to ATP 549P(1) or otherwise than in respect of all or a fractional part of its Undivided Interest in accordance with the provisions of this Article XVI.

### 16.2 Assignment to Affiliate

16.2.1 Each of the Parties may at any time upon notice to the other Parties assign all or part of its Undivided Interest to an Affiliate of such Party.

16.2.2 If, within a period of one (1) year after the date of execution of documents effecting the assignment pursuant to sub-clause 16.2.1, the Affiliate of the assignor to which the assignment was made ceases to be an Affiliate of the assignor, then the Undivided Interest shall be promptly re-assigned to the original assignor (or such other party as may be approved by all Parties).

### 16.3 Right of First Refusal

16.3.1 If a Party wishes to assign, or has received a bona fide offer for the purchase of, all or part of its Undivided Interest ("*the Sale Interest*") which it wishes to accept, that Party ("*the Assigning Party*") shall give a notice to each of the other Parties specifying the terms and conditions, including consideration, on which the Assigning Party is prepared to assign the Sale Interest or the terms and conditions of the bona fide offer, as the case may be ("*the Offer Notice*").

16.3.2 Within forty-five (45) days after receipt of the Offer Notice, any of the other Parties may require by a notice despatched to all Parties that the Assigning Party assign the Sale Interest to it on the terms and conditions stated in the Offer Notice and thereafter the Assigning Party shall promptly assign the Sale Interest to the Party so notifying or, if more than one Party so notifies, to each of such notifying Parties in the proportions which their Undivided Interests bear to each other (or such other proportions as the notifying Parties may agree).

16.3.3 If no Party notifies that it wishes to accept an assignment of the Sale Interest within forty-five (45) days after receipt of the Offer Notice, the Assigning Party may assign the Sale Interest to a third party or the party which made the bona fide offer on the same terms and conditions as stated in the Offer Notice or commercially more favourable terms to the Assigning Party. Such assignment shall be completed by the execution of assignment documentation between the Assigning Party and the proposed assignee prior to the expiration of ninety (90) days from the earliest to occur of:

- (a) the expiration of the forty-five (45) day period referred to in sub-clause 16.3.2; or

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- (b) the date on which the last of each of the other Parties notifies the Assigning Party that it does not wish to accept an assignment of the Sale Interest on the terms and conditions set out in the Offer Notice.

The Assigning Party shall ensure that any assignment agreement with a third party contains no terms inconsistent with the Offer Notice and that it is subject to the following conditions:

- (c) receipt of all required Governmental consents to the assignment; and
- (d) execution of a Deed of Assumption as required by clause 16.4.

16.3.4 If the Assigning Party is unable to complete the assignment as notified and within the time period set out in sub-clause 16.3.3 and it still wishes to assign the Sale Interest it shall give a notice to the other Parties as required in sub-clause 16.3.1 as if no previous Offer Notice had been despatched and the provisions of sub-clauses 16.3.2, 16.3.3, this sub-clause 16.3.4 and sub-clause 16.3.5 shall apply to such proposed assignment.

16.3.5 It shall be a further condition of any Dealing by a Party with its Undivided Interest that the Dealing shall be subject to the written consent of the other Parties, which consent shall not be unreasonably withheld and without limiting the above, shall not be withheld in the case of a reputable party which has demonstrated to the other Parties its capability (including its financial capability) to meet its prospective obligations and liabilities under this Agreement. The Assigning Party shall promptly provide details of the proposed assignee to each of the other Parties requesting consent for assignment of the Sale Interest to the proposed assignee and each Party shall promptly provide to all other Parties written evidence of its consent or refusal of such consent and if a Party fails to provide such evidence within thirty (30) days from the date of receipt of the request of the Assigning Party, such Party shall be deemed to have consented to the assignment to the proposed assignee.

#### 16.4 Assumption by Assignee

Any assignment is subject to the execution and delivery by the Parties and any assignee of a deed recording an assumption by the assignee of all obligations and liabilities under Authority to Prospect 549P to the extent pertaining to ATP 549P(1) and this Agreement insofar as the interest assigned is concerned, such deed to be substantially in the form contained in Exhibit B. Any assignment is subject to the obtaining of all approvals and registrations under the Act and shall be of no force until all such approvals and registrations have been obtained. On the obtaining of all such approvals and registrations, the assignment and assumption shall take the effect from the "effective date" stated in such assumption deed.

#### 16.5 Uniform Assignment

Any assignment shall assign a uniform Undivided Interest over the area covered thereby and shall cover ATP 549P(1) in its entirety except to the extent permitted

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or required elsewhere in this Agreement or where the Assigning Party does not own such an Undivided Interest or only holds such interest nominally.

16.6 Assignments to Affiliates

An assignment to an Affiliate of the Assigning Party shall not be subject to a condition requiring the consent of each of the other Parties.

16.7 Governmental Consent to Dealing

It shall be the responsibility of the Party dealing with its Undivided Interest to obtain any required Governmental consent to any dealing under this Article XVI and the other Parties shall have no obligation to recognise a dealing made or proposed to be made without that consent, provided that the other Parties shall execute any documents reasonably required by the Party to obtain such Governmental consent including an amendment to this Agreement.

16.8 Effect of Assignment

No assignment shall operate to relieve the Assigning Party of its duties and obligations hereunder until all of the conditions of this Article XVI have been fulfilled.

16.9 Transactions by Way of Security

16.9.1 If the transfer or assignment made pursuant to this Article XVI is in the form of a mortgage, pledge, hypothecation or other transaction by way of bona fide security, any creditor and its assignee or assignees under the enforcement or realisation of security shall be bound by all the obligations of a Party with respect to any interest in ATP 549P(1) thereby acquired. Such creditor and its assignee or assignees, upon such enforcement or realisation, shall have the rights and obligations under this Agreement of a Party.

16.9.2 A Party may charge the whole or any separate part of its Undivided Interest on the following terms and conditions:

- (a) the instrument creating the charge shall incorporate such provisions as shall be necessary to give effect to this Article XVI and shall be expressly subordinated to the rights of the other Parties under this Agreement;
- (b) the Chargee (as defined in sub-clause 16.9.2(c) ) shall covenant with the other Parties in an instrument in writing, in such form as the other Parties shall reasonably require, to be bound by the provisions of its Agreement in accordance with the provisions of this Article XVI;
- (c) the rights of a chargee or any receiver and manager appointed under the charge and any person claiming through such chargee or such receiver and manager (each of whom is herein called "*the Chargee*") in the exercise or enforcement of any power of sale or other power contained in the instrument creating the charge or otherwise, shall be subject to the provisions of this

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Agreement and any other agreement between the Parties and any amendment, variation or addition hereto or thereto as if a Chargee were a Party, provided that any such other agreement between the Parties and any amendment variation or addition thereto or any such change to this Agreement, made after the date of the instrument creating the charge, shall not so bind the Chargee without the Chargee's consent.

#### 16.10 Expense of Assignments

As between the Parties, all fees, duties and other expenses pertaining to the sale or transfer of an interest by one Party to any other shall be the sole obligation of the transferee except for transfers pursuant to Article XIV in which case they shall be the obligation of the transferring Party. In the case of an assignment by a Party to a third party, as between the Parties, such obligation shall be the sole obligation of the transferor Party.

### **XVII LITIGATION**

#### 17.1 Conduct of Litigation

Subject to clause 17.2, all litigation in connection with Joint Operations and ATP 549P(1) shall be defended, carried on and conducted for and on behalf of all Parties by legal practitioners selected by the Operating Committee, which practitioners shall be instructed in accordance with the wishes of the Operating Committee. Each Party shall notify the others of any process served upon it in any action involving the title of Authority to Prospect 549P to the extent affecting ATP 549P(1) or Joint Operations and thereupon the Operating Committee shall choose legal practitioners to handle such action for the Joint Account. The actual and necessary expense of legal practitioners incurred with respect to the action shall be for the Joint Account except where the litigation arises as a consequence of the Gross Negligence or Wilful Misconduct of a Party in which event that Party shall solely bear such expenses. If any Party wishes to employ independent legal practitioners to act on its behalf with respect to the action, no fee for their services shall be charged to the Joint Account.

#### 17.2 Third Party Claims

The Operator shall have the power, without reference to the Operating Committee, to settle claims or any series of related claims for up to Twenty Five Thousand Dollars (\$25,000) made by third parties as a result of Joint Operations and the Operator shall promptly notify the Parties of any such settlement and the Operator shall promptly notify the Parties of any such settlement.

### **XVIII FORCE MAJEURE**

#### 18.1 Definition of Force Majeure

18.1.1 The term "*Force Majeure*" shall mean any one or more of the following events:

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- (a) an act of God;
- (b) a war, revolution, insurrection, riot, blockage, or any other unlawful act against public order or authority;
- (c) a strike, lockout, ban or other industrial disturbance;
- (d) a storm, tempest, cyclone, fire, flood, explosion, lightning, earthquake, volcanic eruption, tidal wave;
- (e) action or inaction by Government;
- (f) delays caused by satisfaction of the applicable legislation or procedures relating to protection of the environment; or
- (g) any other event whatsoever (whether or not of the kind enumerated in paragraphs (a) to (f) of this sub-clause 18.1.1) which is not reasonably within the control of the Party claiming suspension of its obligations hereunder due to Force Majeure and which, by the exercise of due diligence, it is unable to overcome or remove.

18.1.2 On the occurrence of any Event of Default as a consequence of an event of Force Majeure, the Parties shall refer the matter to the Operating Committee for its views with a view to the Parties reaching some arrangement or agreement between them which, taking into consideration the commercial consequences which have followed or are likely to follow from the default, will minimise the effect thereof on Joint Operations.

#### 18.2 Suspension of Obligation Due to Force Majeure

If any Party is prevented by Force Majeure from carrying out any obligation hereunder, then if that Party promptly gives the other Parties notice of the Force Majeure (including reasonably full particulars thereof), the obligations of the Party giving notice, insofar as its obligations are affected by the Force Majeure described in the notice, shall be suspended for so long as and to the extent that the Force Majeure continues to prevent performance.

#### 18.3 Obligation to Remedy

The Party claiming suspension of its obligations shall promptly remedy the effect of the Force Majeure as it is reasonably able so to do, provided that the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the Party claiming suspension and that Party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to comply with this clause 18.3.

#### 18.4 Limited Exception for Lack of Finances

Notwithstanding anything contained in this Article VIII, lack of finance, except insofar as such lack is attributable solely to temporary exchange control

restrictions, shall never be considered as Force Majeure nor shall any Force Majeure, except as aforesaid with respect to temporary exchange control regulations, suspend any obligation for the payment of money due hereunder.

## **XIX FURTHER ASSURANCES**

Each of the Parties shall from time to time and at all times do all such further acts and execute and deliver all further deeds and documents as shall be reasonably required in order fully to perform and carry out the terms of this Agreement.

## **XX NOTICE**

### **20.1 Service of Notice**

20.1.1 Except as otherwise expressly provided, all notices required or permitted hereunder shall be given in writing, delivered to the representative of each Party stated in clause 21.2. Delivery shall be by hand or by mail, facsimile, telegram, cable or telex to the address given, with all postage and charges fully prepaid. All notices requiring a response within a specific time period pursuant to this Agreement shall have such time period specified therein.

20.1.2 If a notice is sent by mail or is served by telegram or cable, it shall be deemed validly served and to have been received by the addressee thereof at the time at which the records of the person delivering the same indicate that it was so delivered. If a notice is delivered by hand, it shall be deemed delivered and received at that time. Any notice sent by facsimile or telex shall be deemed, in the absence of proof to the contrary, to have been received by the Party to which it was sent on the date of dispatch provided that:

- (a) in the case of a telex:
  - (i) the recipient's answerback code appears on the sender's copy of the telex;
  - (ii) if the time of dispatch is not before 4.00 pm (local time) on a day in which business generally is carried on in the place to which such telex is sent it shall be deemed to have been received at the commencement of business on the next such day in that place;
- (b) in the case of a facsimile:
  - (i) the recipient's facsimile number appears on the sender's copy of the facsimile;

- (ii) if the time of dispatch is not before 4.00 pm (local time) on a day on which business generally is carried on in the place to which such a facsimile is sent, it shall be deemed to have been received at the commencement of business on the next such day in that place.

20.1.3 Any notice required to be made or given hereunder may be signed by an officer, manager or authorised representative of the Party giving or making the same. No recipient shall be concerned to enquire as to the authority of the officer, manager or authorised representative so signing.

## 20.2 Address for Notices

The address of each Party shall be:

for MIM: c/- M.I.M. Petroleum Exploration Pty Ltd  
2nd Floor "Muruk Haus"  
230 Lutwyche Road  
WINDSOR QLD 4030  
(PO Box 138, Lutwyche, 4030)

Telephone: (07) 3857 7088  
Facsimile: (07) 3857 7089

Attention: General Manager

for Maple: Maple Oil N.L.  
Level 2  
22 William Street  
MELBOURNE VIC 3000

Telephone: (03) 9621 2030  
Facsimile: (03) 9621 2051

Attention: Chairman

## 20.3 Right to Change Address

Any Party may change its address by notice specifying that it is given for the purposes of this Agreement pursuant to this Article XXI.

## **XXI PUBLIC ANNOUNCEMENTS**

21.1 The Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations, provided that no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the approval of at least two (2) Parties which are not Affiliates holding fifty percent (50%), or more, of the Undivided Interests has been obtained. Where a public announcement or statement becomes necessary or

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desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, the Operator is authorised to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

- 21.2 If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall not do so unless, prior to its release, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of at least two (2) Parties which are not Affiliates holding fifty percent (50%) or more, of the Undivided Interests, provided that, notwithstanding any failure to obtain such approval, no Party or any Affiliate shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any Government, legal proceedings or stock exchange having jurisdiction over such Party or such Affiliate.
- 21.3 Because time is of the essence in making public announcements, in the event a Party stipulates that urgent approval is required, the other Parties must respond within forty-eight (48) hours of receipt thereof ("*receipt*" to be defined as set forth in Article 17) and any failure to respond within such period shall be deemed approval of the proposed public announcement.

## **XXII TERM**

### **22.1 To Continue During Any Joint Ownership**

Unless sooner determined by mutual agreement of all Parties, this Agreement shall, except as otherwise expressly provided herein, terminate when no portion of ATP 549P(1) is owned by two or more Parties or all documents of title (and all renewals and extensions thereof) to Authority to Prospect 549P to the extent pertaining to ATP 549P(1) have terminated and all wells within ATP 549P(1) have been plugged or abandoned, all equipment held for the Joint Account has been salvaged, any land rehabilitation has been completed and final settlement of accounts has been made among the Parties.

## **XXIII INDEPENDENT EXPERT**

### **23.1 Independent Expert**

- 23.1.1 In the event of disputes arising concerning matters of a technical nature, the Parties may agree to engage a person with appropriate qualifications and experience to resolve such a dispute ("*Independent Expert*"). For the purposes of this clause, "*technical matter*" means any item or procedure normally under consideration by a petroleum geologist, petroleum engineer or petroleum geophysicist or, for the purpose of resolving disputes in arriving at Market Value

under clause 11.4.3, an international petroleum marketing specialist and does not include any matter, the determination of which will directly result in an award of damages or payment of any kind in the nature of compensation or interest.

23.1.2 The Independent Expert must be, and during the determination, must remain, independent of the Parties and impartial and shall not be a person who:

- (a) is an employee of a Party or any Affiliate;
- (b) at the time of the appointment is required or is contracted to provide services (or on a retainer) to a Party or any Affiliate.

### 23.2 Appointment of Independent Expert

The procedure for the appointment of an Independent Expert shall be as follows:

23.2.1 the Party wishing to have the issue so determined shall give notice in writing to that effect to the other Parties;

23.2.2 the Parties shall meet in an endeavour to agree upon the Independent Expert;

23.2.3 in the event of a failure to agree on the identification of the Independent Expert to determine the dispute within thirty (30) days of the notice, forthwith any of the Parties may refer the matter to the President for the time being of the Australian Petroleum Exploration Association (APEA) (or of such body or association as is then performing the function performed by that body at the time of the dispute) who shall nominate an Independent Expert to determine the matter or thing in dispute.

### 23.3 Decision to be Final

23.3.1 The decision of the Independent Expert shall be absolute and final and shall bind the Parties accordingly. However, unless the Parties agree otherwise, in no case shall the decision of the Independent Expert be applied for a period exceeding one year on matters relating to determination of Market Value for purposes of clause 11.4.3. Redetermination of Market Value will be made on an annual basis, if necessary.

23.3.2 The decision shall be in writing, in the English language and shall contain reasons.

### 23.4 Expert Not An Arbitrator

In making any decision the Independent Expert acts as an expert and not an arbitrator.



### 23.5 Evidence and Representation

23.5.1 The Parties shall make available to the Independent Expert all materials requested by the Independent Expert and all other materials which are relevant to any such determination.

23.5.2 Each of the Parties shall be entitled to produce to the Independent Expert any materials or evidence which that Party believes is relevant to the matter in dispute.

23.5.3 Each Party may be legally represented at a hearing before the Independent Expert.

### 23.6 Determination and Costs

23.6.1 The Independent Expert shall make a determination on the issue in dispute and shall determine what, if any, adjustments may be necessary between the Parties.

23.6.2 If a Party does not conform to the determination of the Independent Expert, any of the other Parties may bring proceedings in any Court of competent jurisdiction to enforce the determination.

23.6.3 The Independent Expert shall determine which Party or Parties shall bear the costs of any such determination, and in what proportion, having regard to the degree to which the Independent Expert considers such Party was at fault or unreasonable in failing to agree to the matter under reference to the Independent Expert and that Party or those Parties shall bear such costs accordingly.

23.6.4 The amount of the costs of determination of the issue by the Independent Expert shall, unless the Parties otherwise agree before the submission of the issue to the Independent Expert, or in the event there is disagreement over the amount of such costs, be finally determined by the President for the time being of the professional institute referred to in sub-clause 24.2.3.

### 23.7 Not Suspend Obligations

The Parties shall continue to observe and perform their respective obligations and exercise their rights under this Agreement notwithstanding that a dispute has been referred to the Independent Expert or is before an arbitrator in accordance with clause 26.1 or a Court or any other means of dispute resolution for determination.

## XXIV MISCELLANEOUS

### 24.1 Supersedes Previous Agreements

This Agreement supersedes all prior agreements, documents, writings and verbal understandings among the Parties relating to ATP 549P(1).

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## 24.2 Amendments

This Agreement may be amended only by written instrument duly executed by all Parties.

## 24.3 Binds Successors and Assigns

Subject to the provisions of Article XVI, this Agreement shall enure to the benefit of and shall bind the Parties and their respective successors and assigns, and the heirs, executors and administrators of natural persons who are or become Parties.

## 24.4 Governing Law

The laws of Queensland Australia shall apply to, and govern, any question of law with respect to ATP 549P(1) and the rights and obligations of the Parties thereunder and under this Agreement. The Parties hereby submit to the non-exclusive jurisdiction of the courts of that State.

## 24.5 Severability

If any provision of this Agreement is invalid or unenforceable it shall be treated for all purposes as severed from this Agreement to the extent of such invalidity or unenforceability.

If any provisions of this Agreement or any requirement of the Joint Operations is contrary to, or inconsistent with, the terms of Authority to Prospect 549P to the extent pertaining to ATP 549P(1) or any applicable law, rule, regulation or order, this Agreement and any such requirement shall be deemed modified to the extent necessary so that the Agreement continues in full force and effect after such modification is made.

## 24.6 Waiver Must be in Writing

No waiver by or on behalf of any Party of any breach of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that Party unless expressed in writing under the authority of that Party and any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

## 24.7 United States Tax Election

- (a) If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as partnership (and if the Parties have not agreed to form a tax partnership) each "*US Party*" (as defined below) elects to be excluded from the application of all the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986 (the "*Code*") as permitted and authorised by Section 761 of the Code and the regulations promulgated under the Code LL&E, to the extent required by Section 6231(a)(7) of the Code, is

designated as the tax matters party, and is authorised and directed to execute for each US Party such evidence specifically, but not by way of limitation, all of the returns, statements, and the data required by United States Treasury Regulations Section 1.761 and .6031(1)(2). Should there be any requirement that any US Party give further evidence of this election, each US Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

- (b) No such US Party shall give any notice or take any other action inconsistent with the election made above. If any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is permitted, each US Party shall make such election as may be permitted or required by such laws. In making the foregoing election, each US Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.
- (c) For the purposes of this clause 25.7, "*US Party*" shall mean any Party which is subject to the income tax law of the United States of America in respect of operations under this Agreement.
- (d) No activity shall be conducted under this Agreement that would cause any non US Party to be deemed to be engaged in a trade or business within the United States of America under applicable tax laws and regulations.
- (e) A Party which is not a US Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States of America.

#### 24.8 Counterparts

This Agreement may be executed by the Parties in any number of counterparts each of which shall be deemed an original but all of which shall constitute one and the same instrument. Any signature page of a counterpart may be detached from it without impairing the legal effect of the signatures on it and attached to another counterpart identical in form but having attached to it one or more additional signature pages signed by the other Parties.

### **XXV ARBITRATION**

- 25.1 Subject to Article XXIV, any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the construction validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration, and any Party may submit such a dispute, controversy or claim to arbitration.

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25.2 A single arbitrator shall be appointed by unanimous consent of the Parties. If the Parties, however, cannot reach agreement on an arbitrator within forty-five (45) days of the submission of a notice of arbitration, the appointing authority for the implementation of such procedure shall be the President for the time being of APEA, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. If the President of APEA refuses or fails to act as the appointing authority within ninety (90) days after being requested to do so, then the appointing authority shall be the President for the time being of the International Chamber of Commerce, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim.

25.3 Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

- (a) the arbitration proceedings shall be held in Brisbane, Australia;
- (b) the arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;
- (c) the arbitrator(s) shall be and remain at all times wholly independent and impartial;
- (d) the arbitration proceedings shall be conducted in accordance with the rules of the International Chamber of Commerce, in effect on the date of this Agreement;
- (e) any procedural issues not determined under the arbitral rules shall be determined by the law of the place of arbitration, other than those laws which would refer the matter to another jurisdiction;
- (f) the costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrator;
- (g) the decision of the arbitrator shall be:
  - (i) reduced to writing;
  - (ii) final and binding without the right of appeal;
  - (iii) the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrator;
  - (iv) made and promptly paid in Australian Dollars free of any deduction or offsets; and
  - (vi) any costs or fees incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the Party resisting such enforcement;

- (h) punitive or other similar damages shall not be allowed;
- (i) the award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Default Rate; and
- (j) judgment upon the award may be entered in any Court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such Court for a judicial acceptance of the award and an order of enforcement, as the case may be.

IN WITNESS WHEREOF the Parties have executed this Agreement the day and year first hereinbefore written.

THE COMMON SEAL of MOUNT ISA  
MINES LIMITED was hereunto affixed  
by authority of the Directors in  
the presence of:

)  
)  
) \_\_\_\_\_ Director  
)  
)  
) \_\_\_\_\_ Secretary

THE COMMON SEAL of MAPLE OIL N.L.  
was hereunto affixed by authority of the  
Directors in the presence of:

)  
)  
) \_\_\_\_\_ Director  
)  
)  
) \_\_\_\_\_ Secretary

RTI DL RELEASE - DNRM

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# EXHIBIT "A"

## ACCOUNTING PROCEDURE

Attached to and made a part of the Joint Operating Agreement among

MOUNT ISA MINES LIMITED  
MAPLE OIL N.L.

such Agreement being hereinafter referred to as the "*Agreement*".

The purpose of this Accounting Procedure is to establish equitable methods of accounting which will truly reflect the Operator's actual cost to the end that the Operator shall neither gain nor lose in relation to the other Parties by reason of the fact that it serves as the Operator for Joint Operations within ATP 549P(1). The Parties agree, however, that if, at any time, or from time to time, any of such methods prove unfair or inequitable to the Operator or Non-Operators, the Operating Committee will meet and in good faith endeavour to agree by a Majority Vote on changes in methods deemed necessary to correct any unfairness or inequity.

### I GENERAL PROVISIONS

#### 1. Definitions

- A. Terms used herein which are defined in the Agreement shall have the meaning as defined therein.
- B. "*Exploration Programme*" means geological, geophysical, and geochemical examinations and other investigations relating to the subsurface geology; including, without limiting the generality of the foregoing, seismograph reflection and refraction surveys, gravity meter and gravity reconnaissance programmes, magnetometer surveys, surface geological studies and satellite or aerial mapping or surveying conducted pursuant to the Agreement.
- C. "*Drilling Wells*" means any well drilled, plugged back, drilled deeper, converted to source or input well, to and including the abandonment thereof, or on which remedial operations are performed, involving the use of drilling crew and equipment.
- D. "*Construction Projects*" means the installation and or construction of capital facilities pursuant to the Agreement including, but not limited to, field gathering and process installations, compressor plants, water stations, pressure maintenance systems, secondary recovery systems, airstrips and roads.
- E. "*Operation and Maintenance*" means all operations other than Exploration Programmes, Drilling Wells and Construction Projects conducted pursuant to the Agreement.

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- F. "*Material*" means moveable equipment or supplies acquired or held for use on in Joint Operations.
- G. "*Controllable Material*" means material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America ("*COPAS*").

2. Records; Currency Exchange

The Operator shall at all times maintain and keep true and correct records of the production and disposition of all Petroleum, and of all costs and expenditures incurred as well as all other data necessary or proper for the settlement of accounts between the Parties in connection with their respective rights and obligations under the Agreement, and in accord with generally accepted accounting practices used in the international petroleum industry. Joint Account records shall be maintained in the Operator's office and will be available for inspection by authorised representatives of the Parties at all reasonable times.

All expenditures chargeable to the Joint Account shall be charged in dollars. Any translations between dollars and other currencies shall be stated at the applicable exchange rate existing at the time of disbursement or receipt. Further, any advance made or receipts realised in any currency other than dollars shall be translated into dollars at the said applicable exchange rate. For these purposes, the applicable exchange rate shall be at the telegraphic transfer selling rate of exchange quoted by the Operator's bank being an internationally reputable trading bank for the business day stated as the due date of the transaction. If there was no such quotation on that day, then a like quote obtained from another bank for the business day shall be used, or upon such other basis as may be agreeable by the Operating Committee.

It is agreed, however, that any gain or loss resulting from the exchange of currency required for the use in connection with the Joint Operations, or from the translation above provided, shall be credited or charged to the Joint Account.

The matter of translation rates will be considered if it is determined that the above method results in inequities.

3. Statements and Billings

In accord with the provisions of clause 7.3 of the Agreement and within the period specified therein, the Operator shall send each Party a statement of account for the preceding month showing detail of Material and Controllable Material and the Parties' proportionate share of costs and expenditures charged in appropriate classification indicative of the nature thereof, and cash advances credited, netting to the status thereof its account as of the last day of the month reported. Such statement shall include details of the allocation of costs and expenses to each outstanding AFE. The Operator shall, upon request by Non-Operator, furnish a description of such accounting classifications. In preparing each billing, the Operator shall endeavour to apportion between the Parties the various currencies

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required for the Joint Account in order to give each Party an equal opportunity to the extent permitted by relevant exchange control laws to pay its proportional share of such billings in the currencies required by the Operator.

4. Payments by Parties

Each Party shall pay all billings rendered pursuant to paragraph 3 within the period of time specified in clause 7.3 of the Agreement; and if payment is not made within such time the provisions of Article VIII of the Agreement shall apply.

5. Advances by Parties

The Operator may require each Party to advance its proportionate share of the estimated cash outlay for the succeeding month's Joint Operations in accord with the provisions of clause 7.4 of the Agreement and each Party shall make payment thereof within the time specified in said clause. If payment is not made within such time, the provisions of Article VIII of the Agreement shall apply. Funds advanced to the Operator shall endeavour to equitably and reasonably apportion its calls for advances to the Parties between the various currencies required for the Joint Account in order to give each Party an equal opportunity to pay its proportionate share of the estimated cash outlays in the currencies required by the Operator. For record keeping purposes foreign currency advances will be translated into dollars in accord with paragraph 2 of this Exhibit.

6. Adjustments

Any payment of bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in paragraph 7 of this Section I, all statements rendered to Non-Operator by the Operator during any ATP Year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such ATP Year, unless within the said twenty-four (24) month period, Non-Operator takes written exception thereto and makes claim on the Operator for adjustment. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of material as provided for in Section V, Inventories, hereof.

7. Audits

Subject to the Agreement, an audit of the Joint Account relating to this Agreement shall be carried out by an independent auditor nominated by the Operating Committee for such period as the Operating Committee may direct, provided that there shall not be more than one (1) audit in each ATP Year. The cost of each audit shall be for the Joint Account.

Non-Operator, upon thirty days' notice in writing to the Operator, shall have the right to further audit the Joint Account for any ATP Year within the twenty-four (24) month period following the end of such ATP Year, provided that the making of an audit shall not extend the time taking a written exception to and the adjustment of accounts as provided in paragraph 6 above. Where there are two or more Non-Operators, Non-Operators shall make every reasonable effort to conduct



joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. The expense of any further audit conducted under this sub-paragraph shall be borne by the Non-Operator(s) who conducts the audit.

Non-Operator shall furnish the Operator the audit report within ninety (90) days after completion of the field work and submission of the audit report to Non-Operator. The Operator shall reply to any claims made within such audit report in writing as soon as practicable but in no event later than sixty (60) days following receipt thereof. Adjustments agreed between the the Operator and Non-Operator will be recorded in the Joint Account as soon as possible after such agreement is reached. In the event no agreement has been reached within sixty (60) days (or such longer period as Non-Operators may agree) after the Operator's reply the Operator shall request the Chairman or other Councillor (not being an officer of any Party) of the Australian Petroleum Exploration Association Limited to nominate a suitably qualified person to determine the adjustment in accordance with the principles of the Agreement, this Accounting Procedure and accepted petroleum industry practice. In making such determination such person shall be acting as an expert and not as an arbitrator and his decision shall be final and binding on all Parties.

8. Approvals

Where approvals or other agreement of the Operator and Non-Operator(s) is required under this Accounting Procedure, approval by a Majority Vote shall be binding on all Parties.

9. Rates

All rates set further in this Accounting Procedure shall be amended from time to time in accordance with paragraph 8 above, if in practice they are found to be insufficient or excessive.

10. Conflict with Agreement

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

**II. DIRECT CHARGES**

The Operator shall charge the Joint Account with the following items:

1. Rentals and Other Payments

Acquisition cost, bonus cost, lease, licence or authority to prospect deposits, rentals, royalties, renewal or extension fees, and other payments required to maintain the interest of the Parties to the Joint Property.

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2. Labour

- A. (i) Salaries and wages of the Operator's employees and consultants (working in the office of the Operator) directly engaged on, or in transit to or from the ATP Area, or in Joint Operations including supervisors and technical employees such as geologists, geophysicists, engineers, drilling and construction supervisors. Charges for such personnel shall be limited to that portion of the salaries and wages attributable to the time actually devoted to the Joint Operations. A record of such time shall be kept by the completion of individual timesheets.
- (ii) Salaries and wages and out of pocket expenses of the Operator's technical personnel (other than those in paragraph 2.A(i) above) including engineers, technologists, draftsmen, engineering clerks and other personnel performing technical services within the technical organisations who are either temporarily or permanently assigned to, and directly employed in, Joint Operations. Charges for such technical personnel shall be limited to that portion of the salaries and wages attributable to the time actually devoted to the Joint Operations. A record of such time shall be kept by the completion of individual timesheets.
- B. The Operator's cost of holiday, vacation, sickness and disability benefits including earned or compensatory time off and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under paragraph 2A of this Section II. With respect to salaries and wages charged to the Joint Account pursuant to paragraph 2(A)(ii) above, such costs shall be pro-rated in proportion to the time actually devoted to the Joint Operations by such personnel. Costs under this paragraph 2B may be charged on a "*when and as paid basis*" or by "*percentage assessment*" on the amount of salaries and wages chargeable to the Joint Account under paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience which shall be determined annually.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority, which are applicable to the Operator's labour cost of salaries and wages chargeable to the Joint Account under paragraphs 2A and 2B of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience which shall be determined annually.
- D. Reasonable personal, transfer (except real estate charges and commissions) and relocation travelling expenses to and from and within the Joint Property of those employees whose salaries and wages are chargeable to the Joint Account under paragraph 2A of this Section II and of all such other employees who are required to be on the Joint Property temporarily for the benefit of the Joint Account for which expenses all such employees are reimbursed under the Operator's usual practice.

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3. Employee Benefits

The Operator's current cost of established plans for employees' group life insurance, hospitalisation, superannuation, pension, retirement and other benefit plans of a like nature, applicable to the Operator's labour costs chargeable to the Joint Account under paragraphs 2A and 2B of this Section II shall be chargeable at the Operator's actual cost.

4. Material

Costs of Material purchased or furnished by the Operator for use on the Joint Property as provided under Section IV including transportation cost thereof. So far as it is reasonably practicable and consistent with efficient and economical operation and bearing in mind the remote location and necessary supply arrangements, only such Material shall be purchased for, or transferred to, the Joint Property as may be required for conduct of the Joint Operations; and the accumulation of surplus stocks shall be avoided.

5. Services

- A. All costs and expenditures relative to the Joint Operations incurred under contracts entered into by the Operator with contractors other than services covered by paragraph 7 of this Section II.
- B. The cost of utilities and other services procured from outside sources other than services covered by paragraph 7 of this Section II.
- C. Use of equipment and facilities furnished by the Operator as provided in paragraph 5 of Section IV.
- D. Design of Construction Projects, as may be agreed by the Operating Committee, shall be for the Joint Account including the salaries and expenses of the Operator's employees directly engaged in design work. A record of such time shall be kept by the completion of individual timesheets.

6. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident or other causes. The Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by the Operator.

7. Litigation and Claims

Expense of litigation (other than between the Parties), discharging of liens, payment of judgments and amounts paid for the settlement of claims incurred in or resulting from Joint Operations, except that no charges for services of the

Operator's legal staff or fees or expense of outside lawyers shall be made except as approved by the Operating Committee.

8. Taxes and Rates

All taxes, duties, levies and rates of every kind and nature (except taxes related to the income of a Party) assessed or levied upon or in connection with the Joint Property, Joint Operations, or the production therefrom and which taxes or rates have been paid by the Operator for the benefit of the Parties.

9. Insurance

Net premiums paid for insurance required by the Agreement, Authority to Prospect 549P to the extent pertaining to ATP 549P(1) or Regulations to be carried on the Joint Property for the protection of the Parties.

10. Communications

Costs of all communications incurred by the Operator with respect to the Joint Operation including acquiring, leasing, installing, operating, repairing and maintaining radio facilities directly servicing the Joint Property.

11. Field Offices, Camps and Expediting Expense

- A. All costs associated with expediting of materials, supplies and equipment, including packing, crating and preparing materials, supplies and equipment for trans-shipment to ports for ocean movement or other movement to the Joint Property or to the Operator's intermediate storage facilities.
- B. Operation and maintenance of field facilities owned by the Operator and serving the Joint Operations including, but not limited to, warehouses, field offices, camps, communications centres, airstrips, staging areas, roads and housing facilities for employees. The basis of charge for these facilities shall be in accordance with paragraph 5 of Section IV of this Exhibit. However, when operations other than the Joint Operations are served by these facilities, the expense less any credits therefrom shall be allocated to each operation served in an equitable manner consistent with the Operator's reasonable accounting practice. The method of allocation shall be approved by the Operating Committee.
- C. Operation and maintenance expense of any Joint Property less any credits therefrom.
- D. Salaries, wages, living and transportation expenses of the Operator's employees assigned to Joint Operations and locations described in this paragraph.

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12. Other Expenditures

Cost not covered or dealt with in the foregoing provisions of this Section II or in Section III, and which are incurred by the Operator for the necessary and proper conduct of operations including, but not limited to, foreign exchange losses (and or gains) incurred by the Operator in performance or in connection with performance of operations under approved programmes, and budgets and of its other duties under the Agreement. When operations other than Joint Operations are conducted by the Operator, the cost of common services and materials shall be allocated to each operation served in an equitable manner consistent with the Operator's reasonable accounting practice.

**III INDIRECT CHARGES**

1. Administrative Overhead

As a means for the Operator to recoup its administrative overhead cost, and to reimburse the Operator for all services and related office cost of the Operator's personnel performing administrative, legal, accounting, purchasing, finance, tax, employee relations, computer services and other related or similar functions for the benefit of Joint Operations, the Operator shall at the end of each month charge the Joint Account an overhead fee, based on the amount of the total expenditures made for the Joint Account by the Operator during such month (excluding those expenditures made pursuant to paragraphs 1, 2 and 3 of Section II above), on the following cumulative basis:

For the first \$3,000,000 of expenditure per ATP Year	-	4%
For the next \$3,000,000 of expenditure per ATP Year	-	3%
Over \$6,000,000 per ATP Year	-	1%

Costs and expenses covered by such charge shall not include the charge itself or the minimum \$5,000 per month (to which the Operator shall be entitled regardless of the amount of total expenditures attributable to Operations in the ATP Year), authority to prospect acquisition costs, bonuses, authority to prospect rentals, royalties, government fees and similar items as mutually agreed upon by the Parties. Credits arising from disposition of Joint Property shall not be deducted from total expenditures in determining such charge.

The above rates shall be reviewed by the Parties periodically (but not more frequently than annually) and the future charges adjusted upward or downward by mutual agreement as indicated by the Operator's cost experience. Notwithstanding anything to the contrary contained herein, said charge shall in no event be less than \$5,000 per month, which minimum figure may be increased from time to time by Budget Passmark.

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#### IV BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, the Operator will procure all Material and Services for the Joint Property. At the Operator's option, Non-Operators may supply Material or Services for the Joint Property, provided said Material or Services are offered to the Operator at competitive prices.

##### 1. Purchases

Material purchased and Services procured shall be charged to the Joint Account at the net price paid by the Operator as follows:

- A. Imported Material, at the manufacturer's or supplier's net invoice price (after all trade and cash discounts), plus reasonable fees or costs paid to third parties for purchasing and shipping, and the cost of insurance, transportation to shipping point, crating and handling, transportation to port of entry, customs fees and like importation charges, duties and taxes, handling from shipside to customs warehouse and transportation and handling from customs warehouse.
- B. Locally purchased Material, at the vendor's net invoice price (after all trade and cash discounts) plus transportation and other related costs from place of purchase.

##### 2. Material Furnished from Operator's Warehouse or Other Properties

The Operator may furnish Material for Joint Operations from the Operator's own stock and charge the Joint Account as follows:

- A. New Material (Condition "A")
  - (1) All Condition "A" Material supplied from the Operator's warehouse or other properties shall be priced at the lower of the costs set forth in paragraph 1 of this Section IV or the current market value thereof.
  - (2) If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge for transportation shall be made to the Joint Account for a distance greater than the distance from the nearest point of entry normally used, or for warehousing costs, including loading and unloading at the warehouse, except by agreement with Non-Operators.
- B. Used Material (Condition "B" and "C")
  - (1) Material in sound and serviceable condition and suitable for re-use without re-conditioning, shall be classified as Condition "B" and priced at seventy-five percent (75%) of the current price of new Material.
  - (2) Material which is not suitable for its original function until after re-conditioning shall be furnished to the Joint Account under one of the two methods defined below:

- (a) Classified as Condition "B" and priced at seventy-five percent (75%) of the current price of new Material. The cost of re-conditioning shall be absorbed by the Operator.
- (b) Classified as Condition "C" and priced at fifty percent (50%) of current price of new Material. The cost of re-conditioning shall be charged to the Joint Account, provided Condition "C" value, plus cost of re-conditioning, does not exceed Condition "B" value.
- (3) Obsolete Material or Material which cannot be classified as Condition "A", Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but suitable for other purposes shall be priced on a basis comparable with that of items normally used for such other purpose.
- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked down price of new Material.
- (5) All leased or rented Material shall be at vendor's net invoice price.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual costs incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided that notice is furnished to Non-Operators of the proposed procurement prior to purchasing such Materials.

4. Warranty of Material Furnished by Operator

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

5. Equipment and Facilities Furnished by Operator

The Operator shall charge the Joint Account for use of equipment and facilities furnished by the Operator or an Affiliate of the Operator at rates commensurate with cost of ownership and operation, provided such costs reflect such rates as are normal and customary. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed one percent (1%) above the prevailing Corporation Indicator Lending Rate charged by the Westpac Banking Corporation (Brisbane). Rates for trucks, tractors and well service units may include wages and expenses of the Operator.

## V DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus new or secondhand material. The disposition of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties. The Operator shall have the right to dispose of normal accumulations of junk and scrap material from the Joint Property and surplus Material but shall advise and secure the prior agreement of Non-Operators for all dispositions having a book value in the aggregate of \$50,000 or more per ATP Year.

### 1. Material Purchased by Operator

Credits for Material purchased by the Operator shall be for the Joint Account and included in the monthly statement of Joint Operations for the month in which the Material is removed from the Joint Property.

### 2. Material Purchased by Non-Operators

Material purchased by Non-Operators shall be invoiced by the Operator and paid for by Non-Operator within fifteen (15) days following receipt of invoice. The Operator shall pass credit to the Joint Account for proceeds received and include the same in the monthly statement of Joint Operations.

### 3. Division of Kind

Division of Material in kind, if made between the Parties, shall be in proportion to their respective interests in such Material. Each Party will thereupon be charged individually with the value of the Material received or receivable by each Party and corresponding credits will be made by the Operator to the Joint Account, and such credits shall appear in the monthly statement of Joint Operations.

### 4. Sales to Outsiders

Proceeds from sales to third parties of Material from the Joint Property shall be for the Joint Account at the net amount collected by the Operator from the purchaser. Any claims by the purchaser for defective Material etc. shall be for the Joint Account, if and when paid by the Operator.

### 5. Basis of Pricing Material Transferred from Joint Account

Material purchased by either the Operator or Non-Operators or divided in kind, unless another basis is approved by the Operating Committee, shall be priced on the following basis:

#### (a) New Price Defined

New price as used in this Section V shall be the price specified for new Material in paragraph 5 of Section IV.

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(b) New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred percent (100%) of current new price (plus sales tax if any).

(c) Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for re-use without re-conditioning, at seventy-five percent (75%) of current new price.

(d) Other Used Material

Used Material (Condition "C"), at fifty percent (50%) of current new price, being used Material which:

- (i) is not in sound and serviceable condition, but suitable for re-use after re-conditioning, or
- (ii) is serviceable for original function, but not suitable for re-conditioning.

(e) Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excess repair cost, but useable for some other purpose at a price comparable with that of items normally used for such other purpose.

(f) Junk Material

Junk Material (Condition "F"), being obsolete and scrap Material at prevailing prices.

(g) Temporarily Used Material

When the use of Material is temporary, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

## VI INVENTORIES

### 1. Periodic Inventory

Inventories of the Joint Account Controllable Material and supplies shall be taken by the Operator at reasonable intervals determined by the Operating Committee.

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2. Notice

Written notice of the Operator's intention to conduct an inventory shall be given to Non-Operator at least thirty (30) days prior to commencing such inventory, during which time Non-Operator may elect to be represented.

3. Failure to be Represented

Failure of Non-Operator to be represented at a physical inventory shall bind Non-Operator to accept the inventory taken by the Operator.

4. Reconciliation of Inventory

A reconciliation of the physical inventory to the Joint Account records shall be made and a list of overages and shortages shall be furnished to the Non-Operator.

5. Adjustment of Inventory

The Operator shall make inventory adjustments to the Joint Account to reflect overages and shortages.

6. Inventory Expense

The expense of the Operator's employees, together with not more than one representative of each Non-Operator present at the taking of a periodic inventory, shall be a charge to the Joint Account.

7. Special Inventories

Any Non-Operator shall have the right at any time to request in writing to the Operator and other Non-Operators the taking of a special inventory of Controllable Material and supplies which shall be commenced within thirty (30) days of receipt of the written notice. Such Non-Operator shall be entitled to be represented at the taking of the special inventory. All expenses incurred by the Operator in conducting the special inventory shall be borne by the requesting Non-Operator.

**VII CREDITS**

All proceeds including but not limited to the following shall be credited to the Joint Account when received by the Operator:

(a) Insurance claims:

Collections in connection with insurance, the cost of which has been charged to the Joint Account;

(b) Use of Joint Property:

Receipts for use of items of Joint Property other than for the conduct of Operations for the Joint Account;

(c) Sales of Joint Property:

Proceeds from the sale of any item of Joint Property;

(d) Other Receipts:

Receipts, refunds and other credits received by the Operator in relation to the Joint Account.

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## EXHIBIT "B" - CLAUSE 16.4

### DEED OF ASSUMPTION

THIS DEED is made the \_\_\_\_\_ day of \_\_\_\_\_ 199

BETWEEN:

(hereinafter referred to as "*the Assignor*") AND:

("the Assignee")

AND:

(hereinafter referred to as the "*Non-Assigning Parties*").

#### RECITALS

- A. By a Joint Operating Agreement dated \_\_\_\_\_ 199 (hereinafter as the same may be amended from time to time called "*the JOA*") the Parties thereto established a joint venture and set forth their respective rights, duties and obligations inter se with respect to the exploration for Petroleum and the appraisal of any Discovery made within ATP 549P(1) and for certain other matters on the terms and conditions therein set out.
- B. The Assignor has agreed to assign (all)/(a portion of) its Undivided Interest to the Assignee with effect from the \_\_\_\_\_ day \_\_\_\_\_, 199 ("*Effective Date*") evidenced by an agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.
- C. By the terms of clause 16.4 of the JOA such assignment is conditional on the Assignee covenanting with the Non-Assigning Parties in the form hereof.

NOW THIS DEED WITNESSES:

#### 1. INTERPRETATION

- 1.1 In this deed (including the Recitals hereto) unless the context otherwise requires, expressions defined or given a special meaning in the JOA shall have the same meanings in this Deed.
- 1.2 In the interpretation of this Deed, unless the context otherwise requires, the singular includes the plural and vice versa and in particular (but without limiting the generality of the foregoing) any word or expression defined in the singular has the corresponding meaning if used in the plural and vice versa.

Release

2. **COVENANTS**

2.1 **Assignee Covenants**

The Assignee covenants with each of the Non-Assigning Parties to assume and be bound by all the terms, conditions, restrictions, covenants and obligations that relate to the Undivided Interest of the Assignor acquired by the Assignee representing an Undivided Interest of ( %).

2.2 Each of the Non-Assigning Parties in consideration of the covenant of the Assignee in clause 2.1 hereby confirms to and agrees with the Assignee that the Assignee is now a Party and shall be recognised as such upon and from the Effective Date to the extent of the Undivided Interest assigned.

3. **RELEASE**

To the extent that such obligations or liabilities relate to the Undivided Interest of the Assignor acquired by the Assignee and for which liability is assumed by the Assignee in terms of clause 2.1, each of the Non-Assigning Parties releases and discharges the Assignor with effect from and after the Effective Date from all claims, demands and liabilities whatsoever in respect of the Assignor's covenants and obligations under or in connection with or in any way arising out of the JOA.

4. **ASSIGNEE ADDRESS**

The address of the Assignee for the purposes of clause 21.2 of the JOA shall, until a new address is substituted thereof, be as follows:

Attention:

Telex Address:

Facsimile Address:

5. **APPROVALS**

This Deed shall be of no force or effect until the receipt of all necessary approvals and registration under the Regulations.

6. **GENERAL**

6.1 Each of the parties hereto shall make, do, execute and deliver all such acts, instruments and things as are necessary or desirable to implement and give full effect to the provisions of the JOA and this Deed.

6.2 All the costs of preparation, execution and stamping of this Deed, all counterparts thereof and all documents ancillary thereto shall be borne and paid by the Assignee, but otherwise each party shall bear and pay its own legal costs.

Release

- 6.3 For all purposes this Deed shall be governed by and construed in accordance with the laws of the State of Queensland for the time being in force. The parties hereby submit to the non-exclusive jurisdiction of the Courts of that State and all Courts competent to hear appeal therefrom.
- 6.4 This Deed may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.
- 6.5 If any of the provisions of this Deed are invalid or unenforceable, the invalidity or unenforceability shall not, unless the deletion would substantially alter the intention of the Parties hereto, expressed or implied, affect the operation, construction or interpretation of any other provision of this Deed, with the intent that the invalid or unenforceable provisions shall be treated for all purposes as severed from this Deed.
- 6.6 All Parties confirm that the JOA is in full force and effect as amended by this Deed.

**IN WITNESS WHEREOF** the parties hereto have hereunto duly executed this Deed the day and year first hereinbefore mentioned.

(Execution Clauses)

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