

**OML 143 GAS DEVELOPMENT AGREEMENT**

**BETWEEN**

**NIGERIAN NATIONAL PETROLEUM CORPORATION**

**AND**

**STERLING OIL EXPLORATION AND ENERGY PRODUCTION COMPANY LIMITED**

THIS GAS DEVELOPMENT AGREEMENT ("*Agreement*") is made this 22<sup>nd</sup> day of APRIL 2021 ("*Execution Date*");

**BETWEEN**

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

**AND**

**STERLING OIL EXPLORATION AND ENERGY PRODUCTION COMPANY LIMITED**, a company incorporated under the Laws of the Federal Republic of Nigeria and having its registered office at 205 Abiola Segun Ajayi Street, Off Muri Okunola Street, Victoria Island, Lagos, Nigeria (hereinafter called the "*SEEPCO*" or "*CONTRACTOR*" which expression shall where the context permits include its assigns and successors in title) *of the other part;*

**CORPORATION** and **CONTRACTOR** are herein collectively referred to as "**Parties**" and individually as the "**Party**".

**WHEREAS:**

- A CORPORATION and CONTRACTOR are parties to the production sharing contract, in respect of Oil Prospecting License 280 (*now known as Oil Mining Lease 143*) executed on 23<sup>rd</sup> April 2007 (hereinafter referred to as "*PSC*");
- B CORPORATION and CONTRACTOR, with participation of their Affiliates, entered into a broad gas commercialisation plan to support Federal Government of Nigeria's Gas Programme. This gas commercialisation plan covered utilisation of Natural Gas processed through a midstream gas processing facility and delivered to the domestic market;
- C Both Associated Gas and Non-Associated Gas from the Contract Area were required to meet the requisite GSPA obligations to meet GPP requirement. Article 23.1 (*Natural Gas*) of the PSC requires CONTRACTOR to report to CORPORATION, if Natural Gas is discovered in potentially commercial quantities in the Contract Area, and upon CORPORATION's request, carry out investigations and submit proposals for the commercial development of the Natural Gas to CORPORATION;
- D The CONTRACTOR discovered Natural Gas in commercial quantity in the Contract Area, carried out an investigation, and submitted a proposal for commercial development of two NAG Wells to CORPORATION;
- E Article 23.2 (*Natural Gas*) of the PSC further requires the CONTRACTOR and CORPORATION to enter into a gas development agreement for the commercial development of Natural Gas discovered in the Contract Area and recognize the right of the CONTRACTOR to participate in the development of such project, with the right to recover cost and share in profit;
- F In response to CONTRACTOR's proposal for two NAG Wells and to ensure obligations under GSPA, CORPORATION approved an updated 2020 budget for the development of two NAG Wells by the CONTRACTOR.

G In furtherance of the gas commercialisation plan, CORPORATION and CONTRACTOR, by themselves and through their Affiliates entered into a suite of Associated Agreements. CORPORATION and CONTRACTOR, further wish to enter into a Gas Development Agreement for the commercial development of two NAG Wells and additional NAG Well(s) within the Contract Area and to set out specific terms and conditions premised on a revenue sharing basis.

**NOW THEREFORE** in consideration of the undertaking and covenants herein contained, the Parties hereby agree as follows:

**1. DEFINITION**

The capitalized terms in this Agreement shall have the meaning hereinbelow ascribed to them:

- 1.1 ***“Adjusted Gross Revenue”*** means the NAG sales revenue realised after deduction of Transportation Tariff, Taxes and Levies as applicable to Transportation Tariff, Royalty from the Gross NAG Revenue, as further described under clause 9 (*Allocation of NAG Revenue*) of this Agreement.
- 1.2 ***“Affiliate”*** means, in relation to any Party, a company (which in this context shall also include other forms of legal entities) which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with that Party for this purpose:
- (a) a company is directly controlled by another company or companies if that latter company or companies, either individually or together;
  - (b) beneficially own fifty-one percent (51%) or more of the voting rights attached to the issued share capital of the first-mentioned company;
  - (c) possess directly the power or ability to direct or cause the direction of the management and policies of the first-mentioned company, whether through the ownership of voting rights, by contract or otherwise; and
  - (d) a company is indirectly controlled by another company if a series of companies can be specified, beginning with that latter company and ending with the first-mentioned company, so related that each company of the series (except the latter company or companies) is directly controlled by one or more of the companies earlier in the series.
- 1.3 ***“Associated Agreements”*** means GSPA, CAA, AGRSA and GTA.
- 1.4 ***“Associated Gas Revenue Sharing Agreement” or “AGRSA”*** means the agreement for commercialisation of gas associated with the crude oil executed on 26<sup>th</sup> September 2020 between CORPORATION and CONTRACTOR.
- 1.5 ***“Associated Gas”*** means the gas which is discovered or produced in association with crude oil as a by-product from the Contract Area.

- 1.6 **"Budget"** means, the estimated cost to be incurred by the CONTRACTOR in respect of the Operations for a year based on the Work Programme for such year.
- 1.7 **"Capex" or "Capital Cost"** means, without limitations, all the investments made for development, production, and operation of Non-Associated Gas facilities, Non-Associated Gas Wells, and associated costs which have a useful life beyond the year incurred.
- 1.8 **"CITA"** means the Companies Income Tax Act CAP C21, Laws of the Federal Republic of Nigeria 2004.
- 1.9 **"Confidential Information"** means the content of this Agreement and all information of a confidential nature disclosed whether orally or in writing or some other permanent form, or obtained from any Party, in connection with this Agreement (including information disclosed in contemplation of this Agreement and any disclosures made in the course of any Dispute or technical dispute), in the process of negotiating or otherwise existing in connection with this Agreement but excluding any information that is in the public domain other than through a breach of this Agreement or which has been lawfully acquired by the Party or person using the same or to whom disclosure is made.
- 1.10 **"Contract Administration Agreement" or "CAA"** means the contract administration agreement executed on 26<sup>th</sup> September 2020 between the CORPORATION, CONTRACTOR, Ashtavinayak Hydrocarbon Limited, and Kwale Pipeline Limited.
- 1.11 **"Contract Area"** means the area subject to the terms of Oil Mining Lease 143, in Nigeria.
- 1.12 **"Cumulative NAG Sales Quantity"** has the meaning provided under clause 9.1(d)(ii) (*Allocation of NAG Revenue*) of this Agreement.
- 1.13 **"Decommissioning"** means the plugging and abandonment of Non-Associated Gas Wells and the removal and disposal of associated equipment and facilities including wellheads, pipelines to manifolds, and auxiliary facilities including the payment of damages relating thereto.
- 1.14 **"Delivery Point"** has the meaning provided in clause 11 (*Provision of Gas Facilities*) of this Agreement.
- 1.15 **"Effective Date"** means the effective date of the GSPA.
- 1.16 **"Escrow Account"** has the meaning provided under 26.4 (*Abandonment and Decommissioning*) of this Agreement.
- 1.17 **"Expert"** means a person who shall have at least ten (10) years' experience in the Operations, generally recognised as an expert in the matter to be determined, who is not a current or former employee or agent of any Party and has no conflict of interest.

- 1.18 ***“Force Majeure Event”*** has the meaning provided under clause 17.4 (*Force Majeure*) of this Agreement.
- 1.19 ***“Funds”*** means all costs required to finance the Operations including interest thereon which are obtained at competitive rates.
- 1.20 ***“Gas Development Plan” or “GDP”*** means the schedule and programme presented by the CONTRACTOR to the CORPORATION outlining the plans for the development of commercial quantities of Non-Associated Gas, which shall include:
- (a) geological and reservoir models of the relevant Non-Associated Gas reservoirs;
  - (b) well plans depicting the spatial distribution of the wells, schedule of drilling and well designing;
  - (c) production profile for the given estimated ultimate recovery (“EUR”) as aligned and corroborated with the relevant well plans;
  - (d) GSPA obligations to meet GPP requirements;
  - (e) environmental impact assessment in relation to the relevant NAG development plans;
  - (f) associated abandonment plans; and
  - (g) estimated budget for the CORPORATION’s information and record only.
- 1.21 ***“Gas Processing Plant” or “GPP”*** means the plant managed by the Ashtavinayak Hydrocarbon Limited for the processing and treatment of Natural Gas.
- 1.22 ***“Gas Programme”*** means a programme of Federal Government of Nigeria:
- (a) to stimulate investments in the domestic gas value chain;
  - (b) to optimise domestic gas resources for economic development;
  - (c) to fast track the adoption of Autogas (CNG & LPG) for transportation;
  - (d) to develop gas-based industries (methanol, fertilizers, etc.) and
  - (e) to provide leverage for the development of domestic gas market.
- 1.23 ***“Gas Sales and Purchase Agreement” or “GSPA”*** means the gas sales and purchase agreement executed on 26<sup>th</sup> September 2020 between the CORPORATION and Ashtavinayak Hydrocarbon Limited and includes any other



- gas sales agreement executed between CORPORATION and any gas buyer from time to time.
- 1.24 ***“Gas Transportation Agreement” or “GTA”*** means the gas transportation agreement(s) executed on 26<sup>th</sup> September 2020 between the CORPORATION and Kwale Pipeline Limited and includes any other gas transportation agreement executed between the CORPORATION and a transporter of Gas from time to time.
- 1.25 ***“Gross NAG Revenue”*** means the gross revenue from the sale of NAG before making any deductions for expenses, tariffs, levies or taxes therefrom, as further described in clause 9 (*Allocation of NAG Revenue*) of this Agreement.
- 1.26 ***“Management Committee” or “MACOM”*** has the meaning provided in clause 8.1 (*Management Committee*) of this Agreement.
- 1.27 ***“Materially”*** means important;- more or less necessary; having influence or effect; going to the merits; having to do with the subject-matter, as distinguished from form.
- 1.28 ***“Measuring Equipment”*** has the meaning provided in clause 11.1(a) (*Measurement of NAG*) of this Agreement.
- 1.29 ***“NAPIMS”*** means National Petroleum Investment Management Services.
- 1.30 ***“Natural Gas”*** means, all gaseous hydrocarbons produced in association with crude oil or otherwise and/or from reservoirs which produce mainly gaseous hydrocarbons.
- 1.31 ***“Non-Associated Gas Wells” or “NAG Wells”*** mean the NAG wells in the Contract Area from which NAG is produced and which *inter alia* are the subject matter of this Agreement.
- 1.32 ***“Non-Associated Gas” or “NAG”*** means natural gas found in a reservoir that does not contain crude oil.
- 1.33 ***“Operating Expenses” or “Opex”*** mean all relevant expenses incurred for producing NAG and operating the NAG Wells, and all associated expenses and levies but does not include Transportation Tariff and applicable taxes, levies on Transportation Tariff.
- 1.34 ***“Operating Lease”*** means an agreement or arrangement entered into by the CONTRACTOR with lessor for the use of underlying property, in accordance with the terms of such agreement or arrangement, whereby the title including all risk and reward to title to the property remains with the lessor.
- 1.35 ***“Operations”*** means all activities relating to the development, production, handling, transportation of NAG, and sharing of Adjusted Gross Revenue contemplated under this Agreement and all activities in connection therewith.
- 1.36 ***“Operator”*** means the Party designated as an operator in accordance with the clause 14.1 (*Operator*) of this Agreement.

- 1.37 **"Production Area"** has the meaning provided in clause 10 (*Production Area*) of this Agreement.
- 1.38 **"Regulator" or "Department" or "DPR"** means the Department of Petroleum Resources of the Ministry of Petroleum Resources referred to as Petroleum Inspectorate under the Nigerian National Petroleum Corporation Act, CAP. N123 LFN 2004 or any successor thereof delegated with the Department's responsibility.
- 1.39 **"Risk"** means risk related to geological, engineering, operational, health, safety, and environment.
- 1.40 **"Royalty"** means royalty payable on NAG which is sold under the GSPA in accordance with the Petroleum Act and/or applicable law, as amended from time to time under the Laws of the Federal Republic of Nigeria.
- 1.41 **"Technical Committee"** has the meaning provided in 8.2(j) (*Management Committee*) of this Agreement.
- 1.42 **"Term"** has the meaning provided in clause 5.1 (*Term*) of this Agreement.
- 1.43 **"Transportation Tariff" or "Tariff"** means the transportation tariff payable by the CORPORATION to the transporter of NAG under GTA.
- 1.44 **"Wilful Misconduct"** means an intentional or reckless disregard of the standards of a reasonable and prudent operator or of any provisions of this Agreement, in disregard of avoidable and harmful consequences or a deliberate act or omission, the consequences of which were foreseen or foreseeable and were intended to cause harm to people, property or the environment, but shall not include any error of judgment or mistake made by a person in the exercise in good faith, of any function, authority or discretion conferred pursuant to this Agreement.
- 1.45 **"Work Programme" or "WP"** means, for each year, a program of activities planned to be carried out by the CONTRACTOR, from time to time, in respect of the operations for such year.

**NOW, THEREFORE**, with the mutual intent to be legally bound, the Parties agree as follows:

## **2. TITLE TO NON-ASSOCIATED GAS**

- 2.1 Title to NAG vests with the CORPORATION and the CORPORATION shall exercise exclusive rights over the NAG produced from the Contract Area, free from any interference from the CONTRACTOR.
- 2.2 Subject to the deductions in clause 9 (*Allocation of NAG Revenue*) of this Agreement, the CORPORATION has the right to retain all the revenue realised from the sale of NAG.

## **3. SCOPE OF THIS AGREEMENT**

- 3.1 This Agreement provides for Operations in the Contract Area by the CONTRACTOR.
- 3.2 The CONTRACTOR shall be responsible for the performance of such Operations as are required under this Agreement and shall conduct Operations in the Contract Area.
- 3.3 The CONTRACTOR shall be responsible for the production of NAG and its delivery to the custody transfer point in consonance with the Associated Agreements.
- 3.4 The CONTRACTOR together with the Affiliates shall provide Funds and shall therefore have an economic interest in the development of NAG in the Contract Area. The CONTRACTOR shall be entitled to a share of revenue based on the revenue sharing model agreed by Parties as contained under clause 9 (*Allocation of NAG Revenue*) of this Agreement.
- 3.5 Specified provisions of the Associated Agreements deemed applicable in this Agreement are hereby incorporated into this Agreement to the same extent and with the same force as if fully set forth in this Agreement.

#### **4. RIGHTS OF THE PARTIES**

- 4.1 The CORPORATION shall retain the title to all the original data resulting from the Operations including but not limited to geological, geophysical, engineering, well logs, completion, production, operations status reports, and any other data as the CONTRACTOR may compile during the term hereof, *provided, however*, the CONTRACTOR shall keep and use such original data during the Term of this Agreement and the CORPORATION shall at all time have access to such original data during the Term of this Agreement.
- 4.2 The CONTRACTOR has the right of ingress to and egress from the Contract Area and to and from facilities therein located at all times during the Term of this Agreement.
- 4.3 The CONTRACTOR has the right to act on behalf of the CORPORATION with regards to the disposal of NAG in accordance with this Agreement and the provisions of CAA. The CONTRACTOR shall in the event of any emergency requiring immediate operational action, take all actions it deems proper or prudent to protect the interests of the Parties to this Agreement.

#### **5. TERM**

- 5.1 The term of this Agreement shall be twenty (20) years from the Effective Date unless otherwise extended and subject to such terms as may be agreed by the Parties following a notice for such extension by either Party, which notice shall be served no later than twenty-four (24) months before the expiration of this Agreement ("*Term*").
- 5.2 Where the unexpired residue of the Oil Mining Lease ("*OML*") for the Contract Area is shorter than the duration of this Agreement, then the CORPORATION shall take necessary steps to renew the Oil Mining Lease for the Contract Area in order to ensure that the validity of this Agreement is not impacted due to the expiration of such OML.

#### **6. CORPORATION'S OBLIGATION**

- 6.1 The CORPORATION shall pay to the Government in a timely manner on receipt of the appropriate Royalty on NAG and indemnify and hold the CONTRACTOR harmless against all losses, damages, expenses, actions of whatever kind and nature including but not limited to legal fees and expenses suffered by the CONTRACTOR as a result of any failure by the CORPORATION to pay Royalty in a timely manner.



- 6.2 The CORPORATION shall pay in a timely manner all the relevant taxes and levies applicable to the CORPORATION under this Agreement.
- 6.3 The CORPORATION shall provide all support to the CONTRACTOR, upon request, to obtain all applicable permits, approvals, and authorisations necessary and expedient for the performance of this Agreement.
7. **CONTRACTOR'S OBLIGATION**
- 7.1 Subject to clause 9 (*Allocation of NAG Revenue*), the CONTRACTOR shall at its own risk incur all costs required for the Operations under this Agreement.
- 7.2 The CONTRACTOR shall pay in a timely manner all the relevant taxes and levies applicable to the CONTRACTOR under this Agreement.
- 7.3 The CONTRACTOR shall, submit to the CORPORATION a Gas Development Plan and subsequently thereafter further Gas Development Plans and/or any amendments or addendums thereto as required from time to time for approval. However, such approval shall not be withheld by the CORPORATION unless in CORPORATION's reasonable assessment there exists a potential Risk.
- 7.4 Within two (2) months after the Execution Date and thereafter, at least three (3) months prior to the beginning of each Calendar year or such extended period as otherwise agreed by the Parties, the CONTRACTOR shall prepare and submit:
- (a) a Work Programme for review and approval of MACOM in accordance with the Gas Development Plan. However, such approval shall not be withheld by the CORPORATION unless in CORPORATION's reasonable assessment there exists a potential Risk;
  - (b) a Budget, for the information of MACOM.
- 7.5 The CONTRACTOR shall carry out the activities stipulated in the Gas Development Plan and Work Programme and shall adhere to specific timelines stipulated therein. CONTRACTOR shall provide to the CORPORATION, written updates at least once in every quarter, reporting the progress made in the execution of the Work Programme.
- 7.6 The CONTRACTOR shall set aside Decommissioning Fund in accordance with the clause 26.2 (*Abandonment and Decommissioning*) of this Agreement.
- 7.7 The CONTRACTOR shall commence Operations in the Contract Area in accordance with the Work Programme and GDP.
- 7.8 The CONTRACTOR shall bear the risk of loss, damage, and liability arising from failure from Operations in accordance with this Agreement and the Laws of the Federal Republic of Nigeria.
- 7.9 The CONTRACTOR shall be responsible for performing the functions as stated under clause 7.1.6 (*Entitlement Model*) of the CAA.
- 7.10 The invoicing and payment under this Agreement shall be governed by clause 7 (*Obligations of the Contract Administrator*) of CAA.
- 7.11 The CONTRACTOR shall abide by and fully comply with the Laws of the Federal Republic of Nigeria including the Nigerian Oil and Gas Industry Content Development Act.

AK

OK

The CONTRACTOR's obligations contained in clauses 7.3, 7.4 and 7.5 (*CONTRACTOR's Obligation*) hereinabove are subject to the GSPA obligations for GPP requirements.

## 8. MANAGEMENT COMMITTEE

8.1 In order that the Parties may at all times cooperate in the implementation of Operations, CORPORATION and CONTRACTOR shall not later than thirty (30) days after the Execution Date establish a management committee ("*Management Committee*" or "*MACOM*"). Without prejudice to the rights and obligations of the CONTRACTOR for the day-to-day management of the Operations, the MACOM shall be responsible for providing strategic guidance and overall supervision in relation to the Operations as further described under clause 8.2 (*Management Committee*) hereunder.

8.2 The powers and duties of the Management Committee shall be as follows:

- (a) the review, revision, amendment, and approval of the Work Programme in accordance with the GDP within thirty (30) days from the submission of the Work Programme by the CONTRACTOR;
- (b) ensuring that GSPA obligations for GPP requirements are taken into consideration at the time of approval of Work Programme;
- (c) ensuring that CONTRACTOR carries out the decisions of the MACOM and conducts Operations in a proper and continuous manner and in accordance with good international gas industry practices, the provisions of this Agreement, and all applicable Laws;
- (d) determine the relinquishment of any part of the Production Area based on this Agreement and the Law;
- (e) determination of the decommissioning programme in accordance with the clause 26 (*Abandonment and Decommissioning*).
- (f) review of the half yearly performance report, submitted by the CONTRACTOR, which will include production and utilization volumes, technical performance, challenges in implementing the GDP and/or the Work Programme;
- (g) conduct periodic site visits to the production facilities at least twice a year and/or as may be deemed necessary, the CONTRACTOR shall make adequate arrangements to ensure the visits are executed properly;
- (h) mandate members of the MACOM or Technical Committee to visit the facility to review the production and metering facilities prior to commissioning;
- (i) review the reconciled gas sales revenue and records in accordance with the clause 7 (*Obligation of Contract Administrator*) of the CAA.
- (j) to establish a technical committee, with representation from the Parties, whenever MACOM deems necessary from time to time, to provide advice and recommendation(s) to the MACOM on the matters listed in the sub-clause (a) to (i) above. Such Technical Committee shall be subjected to all of the following conditions:
  - (i) it shall comprise of a total of four members, with two representatives from the CORPORATION and two representatives from CONTRACTOR respectively;

- (ii) the specific persons representing the CORPORATION and CONTRACTOR in the Technical Committee could be changed by the respective nominating Party at any time by giving an at least seven days advance notice to the other Party;
- (iii) within (15) fifteen days of the Execution Date, the Parties shall nominate their respective representatives on the Technical Committee and shall notify the other Party to that effect;
- (iv) All decisions of the Technical Committee shall be taken unanimously and in case of inability to arrive at such unanimous decision by the Technical Committee, the relevant matter shall be referred to MACOM and MACOM shall then unanimously take a decision on the matter after due consideration, deliberations and consultations as deemed appropriate by MACOM;
- (v) All costs and expenses related to the meetings of the Technical Committee shall be borne by the CONTRACTOR ("*Technical Committee*").

8.3 The Management Committee shall consist of six (6) persons appointed by the Parties as follows:

- (a) three (3) representatives to be appointed by the CORPORATION; and
- (b) three (3) representatives to be appointed by the CONTRACTOR.

8.4 Each Party shall designate by notice in writing to the other Party:

- (a) the names of its representatives to serve as members of the Management Committee
- (b) their alternates *provided that* each representative shall only be entitled to designate one person to act as his/her alternate at any one point in time; and
- (c) members or alternates shall be authorised to represent that Party with respect to the affairs of the MACOM. Such notice shall give the names, titles, and addresses of the designated members and alternates. Each member may nominate any other member or alternate to represent such member at meetings of the Management Committee.
- (d) The CORPORATION shall appoint the Chairman of MACOM while the CONTRACTOR shall appoint the secretary. The secretary shall be responsible for the maintenance of the minutes of all meetings and records of all decisions of the Management Committee, *however*, the secretary shall not be a member of MACOM.
- (e) At least fourteen (14) days prior to each scheduled Management Committee meeting or such other period as may be mutually determined by the Parties from time to time, the secretary shall provide and deliver to each member an agenda of matters with briefs to be considered during each meeting. No agenda or briefs shall be required in the event of an emergency meeting, and no agenda item for which briefs are not delivered within the period stated shall be considered.
- (f) Either Party may change any of its respective members or alternates from time to time by notifying the other Party in writing not less than ten (10) days in advance of the effective date of such change.
- (g) The Chairman or his alternate as the case may be shall preside over the meetings of the Management Committee and in his absence, any other member representing the

CORPORATION shall preside over the meetings as Chairman and such person shall be regarded as the "**Chairman**" for the purposes of this clause 8 (*Management Committee*). The minutes of each meeting shall be approved by the Management Committee at the next meeting and signed by the Chairman or his alternate or any other member representing the CORPORATION (as the case may be) as well as by a member representing the CONTRACTOR at the MACOM, and the Secretary shall deliver copies thereof to every member.

- (h) Unless otherwise agreed by the Parties, the Management Committee shall meet at the head office of CONTRACTOR or any other venue as may be agreed not less than once every six (6) calendar months or at such other intervals as may be agreed by the Management Committee. The quorum for any meeting of the Management Committee shall consist of at least two (2) representatives of CORPORATION and two (2) representatives of CONTRACTOR. The Chairman and CONTRACTOR's lead (or his alternate by whatever name called) must be present at every Management Committee Meeting for a quorum to be formed. If no such quorum is present, the Chairman shall defer that meeting and shall call for another meeting of the Management Committee giving at least fourteen (14) days' notice of such meeting.
- (i) Except as otherwise expressly provided in this Agreement, all matters requiring the approval of the Management Committee shall be required to be approved by a unanimous vote of the members of the Management Committee present at the meeting. As an alternative, unanimous decisions can also be taken by the MACOM by passing resolutions to that effect in writing which will, however, be required to be signed or otherwise approved in writing by each member of the MACOM.
- (j) The Parties shall be bound by, and abide by, each decision of the Management Committee duly made in accordance with the provisions of this Agreement.
- (k) The cost and expenses related to the holding of the MACOM meetings and attendance of the Parties' representatives in such MACOM meetings shall be borne by the CONTRACTOR.

## 9. ALLOCATION OF NAG REVENUE

9.1 The Gross NAG Revenue shall be expended or distributed (on revenue sharing basis) in the following order of priority, on a monthly basis:

- (a) **Transportation Tariff:** The CORPORATION shall pay or cause to have paid and remitted Transportation Tariff from Gross NAG Revenue as prescribed in the GTA.
- (b) **Taxes and levies:** The CORPORATION shall pay or cause to have paid all applicable taxes and levies applicable to Transportation Tariff out of revenue realised from the sale of NAG.
- (c) **Royalty:** The CORPORATION shall pay or cause to have paid Royalty to the Government out of the revenue realised from the sale of NAG. Royalty paid shall be in accordance with the royalty rates specified under the relevant Law reproduced as *Annexure I (Computation of Royalty) to this Agreement*.
- (d) **Allocation of Adjusted Gross Revenue:** The Parties shall share the Adjusted Gross Revenue, in accordance with the following methodology using the entitlement model pursuant to clause 7.1.6 (*Entitlement Model*) of the CAA:

- (i) the CORPORATION shall be entitled to 'x'% of the Adjusted Gross Revenue; and
- (ii) the CONTRACTOR shall be entitled to (100-'x')% of the Adjusted Gross Revenue such that the value of 'x' shall be determined based on the total cumulative sales quantity of NAG by CORPORATION under this Agreement during the period starting from the Effective Date and till the end of the date with reference to which such monthly Gross Adjusted Revenue is required to be shared ("*Cumulative NAG Sales Quantity*") and as further described as below:

**Sharing of Adjusted Gross Revenue:**

Cumulative NAG Sales Quantity (in Billion Standard Cubic Feet)	CORPORATION's share ('x') %	CONTRACTOR's share (100-'x') %
<b>0 to up to 350</b>	10%	90%
<b>Above 350 but up to 700</b>	15%	85%
<b>Above 700 but up to 1,050</b>	20%	80%
<b>Above 1,050</b>	25%	75%

- (iii) Parties' respective sharing percentage of Adjusted Gross Revenue for any Cumulative NAG Sales Quantity above 2,000 Billion Standard Cubic Feet shall be re-negotiated by the Parties.

9.2 The CONTRACTOR' share of Adjusted Gross Revenue shall be towards:

- (a) The amount of Opex incurred by the CONTRACTOR;
- (b) Taxes and levies as applicable to the CONTRACTOR: Each Party shall be responsible for the payment of its respective taxes as are lawfully imposed upon it in respect of profits and income realised from its share of Adjusted Gross Revenue;
- (c) The amount of Capex incurred and invested by the CONTRACTOR in relation to NAG;
- (d) CONTRACTOR's profit and internal rate of return on its investments: Balance left of the CONTRACTOR's share of Adjusted Gross Revenue after incurring Opex, taxes and levies, and Capex.

9.3 Pursuant to the Article 23.1 of the PSC, all costs related to the discovery of the NAG resources shall be claimed by the CONTRACTOR as operating cost under the PSC. Any cost of investigation of NAG shall be covered by this Agreement.

9.4 For the purpose of this Agreement, without prejudice to the Execution Date of this Agreement, the CORPORATION and CONTRACTOR shall be entitled to their respective shares of Adjusted Gross Revenue that has been realised from the Contract Area under the GSPA from the Effective Date.

**9.5 NAG Price/Valuation Mechanism**

The NAG from the Contract Area shall be valued for the purpose of this Agreement as follows:

- (a) Contract Price (based on netback pricing) in accordance with the clause 12 (*Contract Price*) of the GSPA for the NAG supplied (Appendix VI to the GSPA related Worked example of Contract Price formula has been re-produced herein as *Annexure III (Appendix VI Worked Example of Contract Price Formula\* to the GSPA)* to this Agreement for the clarity);
- (b) NAG, if flared, would be ascribed a zero value. Charges in respect of flared NAG shall be as stipulated by the Regulator;
- (c) Re-injected NAG shall be ascribed a zero value.
- (d) NAG delivered to meet any domestic gas supply obligation from the block shall be in accordance with the National Domestic Gas Supply and Pricing Policy prescribed by the Federal Government of Nigeria.

## 10. PRODUCTION AREA

Subject to clause 7.3 (*CONTRACTOR's Obligation*) of this Agreement, the CONTRACTOR shall prepare and submit GDP and, if required, an addendum to GDP, for CORPORATION's approval. The NAG reservoirs described in the GDP and any addendum as approved by the CORPORATION shall constitute the production area ("*Production Area*").

## 11. PROVISION OF GAS FACILITIES

The CONTRACTOR shall install the gas facilities which are required for the purposes of producing, metering, and delivering NAG from the wellhead to the manifold of the pipeline ("*Delivery Point*") in accordance with this Agreement.

A NAG Production Report, on a monthly basis, shall be submitted in writing by CONTRACTOR to CORPORATION in a format as set out in Annexure-IV (Other Provisions) to this Agreement

### 11.1 Measurement of NAG

#### (a) Measuring Equipment

The CONTRACTOR shall be responsible for the purchase, installation, and maintenance cost of all metering and analysis equipment, housings, devices, and materials including all equipment, appliances, and buildings required to meter and analyse NAG as required by any applicable law and industry standards (the "*Measuring Equipment*").

The Measuring Equipment shall be purchased and installed by the CONTRACTOR prior to the Commissioning Date (as defined in the GSPA) and the same shall be calibrated periodically by the Regulator. .

#### (b) Standards and Procedure for NAG Measurement

The volumes of NAG measured on the Measuring Equipment by the CONTRACTOR at the measurement point shall be the volumes which have been delivered by the CONTRACTOR hereunder at the Delivery Point, in compliance with regulation and industry standards. Unless otherwise specified NAG measurement shall be carried out by meters:

- (i) The design and construction of which have been accepted, prior to the time of installation, by the Parties for the purposes of reporting the quantities of NAG delivered at the Delivery Point;
  - (ii) Which shall be installed, and maintained by the CONTRACTOR, at the CONTRACTOR's expense, and located at the Delivery Point; and
  - (iii) The calibration and maintenance programs of which have been accepted, at the time of installation and commissioning in each and every case by the Parties. The calibration of the meters to be done by the DPR from time to time.
- (c) Alternative and additional Measuring Equipment:

The CONTRACTOR shall provide such alternative facilities as would be provided by a reasonable and prudent operator to ensure that withdrawal of any part of the Measuring Equipment for maintenance or adjustment does not affect the continued delivery and measurement of NAG hereunder.

- (d) CORPORATION's access to and inspection of Measuring Equipment
- (i) Upon forty-eight (48) hours' notice, the CORPORATION shall have access to the Measuring Equipment at reasonable hours and at a frequency consistent with the CORPORATION's testing, measurement, and inspection programme in accordance with industry standards, for the purposes of inspection or to take samples and to be present during tests for quantity and composition of NAG and at the cleaning, installing, changing, repairing, inspecting, calibrating or adjusting of the Measuring Equipment.
  - (ii) Upon forty-eight (48) hour notice, CONTRACTOR shall make available to the CORPORATION records and charts relating to the measurement of NAG delivered at the Delivery Point. The CONTRACTOR undertakes to preserve all records relating to the measurement of NAG by the Measuring Equipment for the duration of the contract and submit the same to CORPORATION when this agreement expires.

- (e) Verification of Measuring Equipment Accuracy

The accuracy of the Measuring Equipment shall be verified by the DPR periodically. The copy of verification test results provided by the DPR shall be submitted to the CORPORATION by the CONTRACTOR.

- (f) Alternative Measurements

If for any reason, the Measuring Equipment is out of service or is shown to be operating outside the measurement tolerance of industrial standard, then the measurement methods followed shall be as provided in clauses 7.5 to 7.7 (*Obligation of the Contract Administrator*) of the CAA.

## 12. TITLE TO ASSETS, DATA, TECHNOLOGY, EQUIPMENT, AND FACILITIES

- 12.1 The CONTRACTOR shall finance the cost of purchase and Operating Lease in respect of equipment used in Operations pursuant to the GDP and Work Programme. The CONTRACTOR and the CORPORATION shall have the right to use such equipment exclusively for Operations in the Contract Area during the term of this Agreement. Should the CORPORATION desire to use such equipment outside the Contract Area, such use shall be

subject to terms and conditions agreed by the Parties, *provided that* it is understood that Operations hereunder shall take precedence over such use by the CORPORATION.

- 12.2 The CONTRACTOR's right to use such purchased equipment shall cease with the termination or expiration (whichever is earlier) of this Agreement.
- 12.3 The provisions of this clause 12 (*Title to Assets, Data, Technology, Equipment, and Facilities*) with respect to the title of property passing to the CORPORATION shall not apply to leased equipment belonging to local or foreign third parties, and such equipment, if any, may be freely exported from Nigeria in accordance with the terms of the applicable lease.
- 12.4 All lands purchased or otherwise acquired by the CONTRACTOR for the purposes of Operations and all movable property utilized in the Contract Area and incorporated permanently in any premises, location, and structures for the purpose of Operations hereunder shall be in the name of the CONTRACTOR and CORPORATION. Upon termination of this Agreement pursuant to clause 25 (*Termination*), the CONTRACTOR shall within thirty (30) days handover to the CORPORATION and the CORPORATION shall take full possession of such lands and property relating to Operations under the Contract on a "as is where is" basis.
- 12.5 All fixed assets purchased or otherwise acquired by the CONTRACTOR for the purposes of Operations hereunder shall become the property of the CORPORATION upon the termination of this Agreement pursuant to clause 25 (*Termination*), the CONTRACTOR shall hand over possession of such fixed assets to the CORPORATION.
- 12.6 During the term of this Agreement, any sale of equipment, land, fixed assets, materials, and machinery acquired for the purpose of the Operations hereunder shall be with prior approval of the CORPORATION. Such sale shall be conducted by the CONTRACTOR on the basis of the highest price obtainable and the proceeds of such sale shall be credited to the CORPORATION.
- 12.7 The CONTRACTOR shall transmit all copies of geological, geophysical, drilling, well production, and other technical data and reports as it may compile during the Term, to the CORPORATION.
- 12.8 Upon completion of the Term of this Agreement, the CONTRACTOR shall submit to the CORPORATION, for permanent custody, all original geological, geophysical, drilling, well production, operating, and other technical data and reports as it may compile during the Term of this Agreement.

### 13. INSURANCE

- 13.1 All properties acquired and third-party damages as a direct or indirect result of Operations under the provisions of this Agreement shall be adequately insured with an insurance company of good repute by the CONTRACTOR in the names of the Parties. All policies shall name the CORPORATION as a co-insured with the waiver of subrogation rights in favour of the CORPORATION.
- 13.2 In case of loss or damage to properties related to the Operations and third-party damages, indemnifications paid by the insurance companies shall be entirely received by the CONTRACTOR. The CONTRACTOR shall determine whether the lost or damaged properties should be repaired, replaced, or abandoned. If the decision is to repair or replace, the CONTRACTOR shall immediately replace or repair such lost or damaged properties.
- 13.3 All insurance policies shall be taken out in the Nigerian insurance market except for those concerning risks for which the CONTRACTOR could not reasonably obtain coverage in Nigeria which shall be taken aboard, to the extent required by Law.



13.4 Notwithstanding anything to the contrary in this agreement, such other insurance policies, as otherwise required under Nigerian Laws, shall also be maintained.

#### 14. OPERATOR

14.1 SEEPCO shall execute on CORPORATION's behalf, the Operations in the Contract Area in accordance with the terms of this Agreement ("*Operator*").

14.2 The Operator shall have the exclusive control and administration of Operations. The Operator shall execute contracts, incur expenses, make commitments, and implement other actions in connection with Operations.

#### 15. ASSIGNMENT

15.1 The CONTRACTOR shall not sell, assign, transfer, convey or otherwise dispose of part or all of its rights and interest under this Contract to other parties, including Affiliates, without prior written notice to and without the prior written consent of the CORPORATION, which consent shall not be unreasonably withheld.

15.2 Any request for consent to assign or dispose of as aforesaid, made by the CONTRACTOR to the CORPORATION, shall include the proposed deed of assignment and other relevant information relating to financial and corporate standing of the assignee, and its capability to contribute to the Operations under this Agreement.

#### 16. CONFIDENTIALITY AND ANNOUNCEMENTS

16.1 The CONTRACTOR and the CORPORATION shall keep information furnished to each other in connection with Operations and all plans, maps, drawings, designs, data, scientific, technical and financial reports, and other data and information of any kind or nature relating to Operations including any discovery of Natural Gas as strictly confidential, and shall ensure that their entire or partial contents shall under no circumstances be disclosed in any announcement to the public or any third party without the prior written consent of the other Party. The provisions of this clause 16 (*Confidentiality and Announcement*) shall not apply to disclosure to:

(a) sub-contractors, Affiliates, assignees, auditors, financial consultants or legal advisers, *provided that* such disclosures are required for the effective performances of the aforementioned recipients' duties related to Operations;

(b) comply with a statutory obligation or the requirements of any governmental agency or the rules of a stock exchange on which a Party's or Affiliate's stock is publicly traded in which case the disclosing Party will notify the other Party(ies) of any information to be disclosed prior to such disclosure.

(c) financial institutions involved in the provision of finance for the Operations hereunder provided, in all such cases, that the recipients of such data and information agree in writing to keep such data and information strictly confidential.

(d) a third party for the purpose of negotiating an assignment of interest hereunder provided such third party executes an undertaking to keep the information disclosed confidentially.

16.2 The Parties shall take necessary measures in order to make their employees, agents, representatives, proxies, and sub-contractors comply with the same obligation of confidentiality provided for in this clause 16 (*Confidentiality and Announcement*).

- 16.3 The provisions of this clause 16 (*Confidentiality and Announcement*) shall terminate five (5) years after the expiration of this Agreement.
- 16.4 The Parties shall use best endeavours to ensure that their respective servants, employees, agents and sub-contractors shall not make any reference in public or publish any notes in newspapers, periodicals or books nor divulge, by any other means whatsoever, any information on the activities under the Operations, or any reports, data or any facts and documents that may come to their knowledge by virtue of this Contract, with the prior written consent of the other Party.
- 16.5 The CONTRACTOR shall submit to the CORPORATION all statutory reports and information for submission to Government and other statutory bodies.
- 16.6 A Party shall not issue or make any public statement or announcement regarding this Agreement without the prior written consent of the other Party (such consent not to be unreasonably withheld) except where such public statement or announcement is required by any Applicable Laws, rules, and regulations of any recognised stock exchange or to the extent required by any lawful subpoena or other processes in connection with any judicial, arbitral, expert or administrative proceedings (whereupon the Party making such public statement or announcement shall as soon as reasonably possible furnish the other Parties with a copy of such public statement or announcement).

## 17. FORCE MAJEURE

### 17.1 Definition of a "*Force Majeure Event*":

A Force Majeure Event is any event or circumstance, not being within the reasonable control of a Party (the "*Affected Party*"), which prevents, impedes or delays the performance by the Affected Party of any covenant or obligation in accordance with this Agreement and which is otherwise validly claimed and maintained by the affected Party in accordance with this clause 17 (*Force Majeure*) including without limitation to the following events or circumstances:

- (a) atmospheric disturbance, earthquake, epidemic, pandemic, explosion, fire, flood, hurricane, landslide, lightning, storm, subsidence, tempest, tornado, typhoon, washout, or other acts of God;
- (b) acts or serious threats of war (whether declared or undeclared), riot, civil war, blockade, insurrection, host community disturbance, acts of public enemies, invasion, embargo, trade sanctions, revolution, sabotage, or terrorism;
- (c) strikes, lock outs or industrial disturbances, except wildcat strikes, lockout, or industrial disturbances limited to the employees of a Party;
- (d) pollution, chemical or radioactive contamination or ionising radiation;
- (e) acts or omissions of a Governmental Authority or the modification or removal of an authorisation.

### 17.2 Force Majeure Event exclusions

The following events or circumstances shall not constitute a Force Majeure Event:

- (a) any event or circumstance which makes the performance of this Agreement uneconomic or commercially impracticable or any changes in market conditions or any

deterioration in the ability to make a profit or to receive a satisfactory rate of return from the production, sale, purchase, transportation or consumption of NAG;

- (b) the breakdown or failure of any equipment caused by normal wear and tear or caused by the failure of the Affected Party to maintain such equipment or to maintain a suitable stock of spares to the standard of a reasonable and prudent operator;
- (c) the imposition of sanctions by a Governmental Authority due solely to the failure of the Affected Party to comply with any applicable Law, Regulation or Authorisation;
- (d) the inability or the failure of the Affected Party to make payment of any money when due in accordance with this Agreement or the inability or the failure of the Affected Party to raise any financing required in connection with the performance of the Affected Party's covenants or obligations in accordance with this Agreement.

#### 17.3 Relief for a Force Majeure Event

- (a) Subject to this clause 17 (*Force Majeure*), an Affected Party shall not be liable to the other Party for a failure to perform a covenant or obligation (other than an obligation to make the payment) in accordance with this Agreement to the extent that the Affected Party's performance of such covenant or obligation is prevented, impeded or delayed by a Force Majeure Event.
- (b) An Affected Party shall not be entitled to relief in accordance with this clause 17 (*Force Majeure*) or having become entitled shall cease to be so entitled, and a Force Majeure Event shall cease to be treated as a Force Majeure Event to the extent that the Affected Party fails to comply with the requirements of this clause 17 (*Force Majeure*) unless such failure was itself due to a Force Majeure Event.
- (c) CONTRACTOR shall to the greatest extent possible continue to perform its covenants or obligations in accordance with this Agreement to the extent not prevented, impeded or delayed by a Force Majeure Event.
- (d) If a Force Majeure Event occurs the Affected Party shall (acting in accordance with the standard of a reasonable and prudent operator) act to mitigate the effects of the Force Majeure Event to an extent that shall enable the Party to resume full and proper performance of the covenant or obligation to which the Force Majeure Event relates.
- (e) When the Affected Party gives notice that it anticipates that it will be able to resume the performance of the covenant or obligation to which the Force Majeure Event relates the Parties shall cooperate to accomplish any activity necessary to enable such resumption of performance.

#### 17.4 Force Majeure Estimates

An Affected Party shall give notice (the "*Force Majeure Estimate*") to the other Party at each of the following times:

- (a) As soon as reasonable, but not later than twenty-four (24) hours after the day (the "*Relevant Day*") on which the Affected Party first knew or ought reasonably to have known of the inability to perform a covenant or obligation in accordance with this Agreement for which relief is sought in accordance with this clause 17 (*Force Majeure*);

- (b) As soon as reasonably possible after the Affected Party's best estimate of the duration of the Force Majeure Event given in accordance with clause 17 (*Force Majeure*) changes; and
- (c) as soon as reasonably possible after the Affected Party anticipates that it will be able to resume performance of the covenant or obligation for which relief is sought in accordance with this clause 17 (*Force Majeure*).

#### 17.5 Content of Force Majeure Estimates

- (a) Each Force Majeure Estimate shall contain the Affected Party's best and reasonable estimates of the following information:
  - (i) full particulars of and the reasons for the Force Majeure Event;
  - (ii) the expected extent of the Affected Party's inability to perform any covenant or obligation in accordance with this Agreement;
  - (iii) the expected duration of the Force Majeure Event from the relevant day and the expected date that performance of the covenant or obligation to which the Force Majeure Event relates will be resumed (whether partially or in whole);
  - (iv) the actions which the Affected Party (acting in accordance with the standard of a reasonable and prudent operator) proposes to take to mitigate the adverse impact of Force Majeure Event and to resume full and proper performance of the covenant or obligation to which the Force Majeure Event relates and the Affected Party's estimate of the expected schedule thereof; and
  - (v) the quantity of NAG that it will be unable to deliver at the custody transfer point.
- (b) Each subsequent Force Majeure Estimate shall contain any of the above information not previously given notice of, a full report confirming or updating and amplifying the information contained in any previous Force Majeure Estimates and such further information as the other Party may reasonably require.

#### 17.6 Prolonged Force Majeure

- (a) If an Event of Force Majeure prevents CONTRACTOR from being able to perform its operations, for a continuous period of more than twelve (12) consecutive Contract Months, then, the Parties shall adopt reasonable endeavours obligations to mitigate any adverse impacts of Force Majeure on each other.
- (b) For the avoidance of doubt, Parties shall meet to agree on the future course of action including terminating this Agreement.
- (c) If the Parties have complied with the provisions of clause 17.6 (a) and (b) (*Prolonged Force Majeure*) above and cannot agree on the future course of action then either Party may terminate this Agreement upon thirty (30) days written notice to the other Party.
- (d) If during the term of this Agreement, the Prolonged Force Majeure is called off, the rights and obligation of Parties under this agreement shall continue. The period for which the force majeure event lasted shall be added to the term of this agreement.

### 18. REPRESENTATIONS AND WARRANTIES

18.1 In consideration for CORPORATION entering into this Agreement, the CONTRACTOR warrants as follows:

- (a) CONTRACTOR has the power to enter into and perform this Agreement in accordance with the terms herein contained and has been granted, as applicable, subject to clause 7 (*CORPORATION's Obligation*) above, all licenses, permits, and authorization for Operations.
- (b) The execution, delivery, and performance of this Agreement by the CONTRACTOR will not contravene in any respect, any of the provisions of:
  - (i) any Law or Regulation or Order of any Governmental Authority, Governmental Agency or Court applicable to or by which the CONTRACTOR may be bound;
  - (ii) any mortgage, contract, or other undertaking or instrument to which the CONTRACTOR is a party, or which is binding upon it or any of its respective revenue or assets.
- (c) Full disclosure has been made to CORPORATION prior to the Execution Date of all facts in relation to the CONTRACTOR and its financial condition and affairs as are material and should be made known to the CORPORATION.
- (d) The CONTRACTOR has access to the funds both in foreign and local currencies to carry out Operations under this Agreement.
- (e) The representations and warranties set out above shall remain for the duration of the Term.

## 19. LIABILITY AND INDEMNITIES

19.1 The CONTRACTOR shall indemnify and hold the CORPORATION harmless against all losses, damages, injuries, expenses, actions of whatever kind and nature including but not limited to legal fees and expenses suffered by the CORPORATION where such loss, damage, or injury is as a result of gross negligence and/or Wilful Misconduct of the CONTRACTOR or its duly authorised sub-contractors except where such losses are shown to result from either gross negligence and/or Wilful Misconduct on the part of the CORPORATION.

19.2 The CORPORATION shall indemnify and hold the CONTRACTOR harmless against all losses, damages, injuries, expenses, actions of whatever kind and nature including but not limited to legal fees and expenses suffered by the CONTRACTOR where such loss, damage, or injury is as a result of gross negligence and/or Wilful Misconduct of the CORPORATION or its agents except where such losses are shown to result from any gross negligence and/or Wilful Misconduct on the part of the CONTRACTOR.

## 20. BOOKS, ACCOUNTING, AND AUDITS

20.1 The CONTRACTOR shall be responsible for keeping complete books of accounts consistent with accounting practices and procedures. The statutory books and accounts of this Agreement shall be kept in Naira and U.S. Dollars. All other books of accounts as the CONTRACTOR may consider necessary shall be kept in a columnar form in both Naira and U.S. Dollars.

20.2 All statutory books shall be kept at the registered address of the CONTRACTOR in Nigeria.

20.3 The CONTRACTOR shall be responsible for completing statutory audit as required by Law applicable in Nigeria.

20.4 The CORPORATION shall have the right to access and review the relevant books of accounts which record the various transactions related to clauses 9.1(a) to 9.1(d) (*Allocation of NAG Revenue*) which are required to arrive at the Adjusted Gross Revenue to be shared between the Parties subject to at least seven (7) calendar days' prior notice to the CONTRACTOR.

## 21. FOREIGN ENFORCEMENT INDEMNITY PROVISION

21.1 The CONTRACTOR shall have no recourse whatsoever by the way of a legal claim to the assets, funds, and revenues (whether in Nigeria or anywhere in the world), of:

- (a) The Federal Government of Nigeria ("*FGN*"); and
- (b) ministries, statutory CORPORATIONS, parastatals, and departments of the FGN including but not limited to the Central Bank of Nigeria, The Nigeria Sovereign Investment Authority.

21.2 Nothing contained in this clause 21.1 (*Foreign Enforcement Indemnity Provision*) above shall limit, alter, restrict or impair any right of the CONTRACTOR against the CORPORATION or its assigns and successors, and the CORPORATION or its assigns and successors shall be deemed to be excluded from sub-clause 21 (a) and (b) (*Foreign Enforcement Indemnity Provision*) hereinabove.

## 22. GOVERNING LAW AND LANGUAGE

22.1 This Agreement shall be governed by and construed in accordance with the Laws of the Federal Republic of Nigeria as may be amended or enacted in the duration of this Agreement.

22.2 Upon the enactment of any new legislation to regulate petroleum activities in Nigeria, any new terms and conditions stipulated within the said law shall apply to this Agreement and the Parties shall be bound accordingly.

22.2 All matters related to this Agreement shall be conducted in the English language in which this Agreement was drawn up.

## 23. DISPUTE RESOLUTION

The Parties shall first seek to resolve any dispute or difference amicably or failing such amicable settlement, through referral to arbitration in accordance with the following provisions (*Dispute Resolution*):

### 23.1 Mutual Discussions

If any difference or dispute of any kind whatsoever shall arise between the CORPORATION and the CONTRACTOR, concerning the interpretation or performance of this Agreement (a "*Dispute*") the Parties shall attempt, for a period of ninety (90) days after the receipt by one Party of a notice from the other Party of the existence of the Dispute, to settle such Dispute in the first instance by mutual discussions between the Parties. Where Parties are unable to resolve the Dispute within ninety (90) days period, the matter may be referred to arbitration at the instance of either Party.

### 23.2 Arbitration

- (a) Within thirty (30) days of a demand for arbitration being served, the CORPORATION will nominate one (1) arbitrator and the CONTRACTOR will nominate one (1), arbitrator. The arbitrators thus appointed shall within a further fifteen (15) days appoint a presiding arbitrator. The presiding arbitrator shall be the third arbitrator and the number of arbitrators shall be three (3).
- (b) If within the time limits specified under clause 23.2(a) (*Arbitration*), either the arbitrators appointed by the Parties do not agree on the appointment of such presiding arbitrator, or any of the Parties fails to appoint the arbitrator to be appointed by it, such arbitrator shall be appointed by the Chartered Institute of Arbitrators (CIArb), Nigerian Branch within thirty (30) days after receipt of the application of any of the Parties requesting the appointment of such arbitrator or arbitrators (notice of the intention to apply having been duly given in writing by the applicant Party to the other Parties).
- (c) The presiding arbitrator shall convene meetings of the arbitration panel and act as chairman. The award of the arbitrators shall be determined by a majority of the arbitrators, or in the absence of agreement of any two (2) arbitrators, by the chairman.
- (d) When an arbitrator refuses or neglects to act, or is incapable of acting or dies, a new arbitrator shall be appointed in his place and the above provisions for appointing arbitrators shall, mutatis mutandis, govern the appointment of any such new arbitrator or arbitrators. The arbitrators shall be and remain at all times wholly independent and impartial.
- (e) The arbitration rules, procedures, and award shall be final and binding upon the Parties
- (f) The seat of the arbitration shall be Lagos or such other place as the Parties may agree in writing, in Nigeria. The language used in the arbitral proceedings and for determination of the award shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation.
- (g) Subject to the arbitration award, each Party shall bear the costs and expenses of all professional advisers, witnesses, and employees retained by it. costs and expenses associated with the arbitral tribunal shall be apportioned equally between the Parties to the Dispute.
- (h) Pending the resolution of a Dispute in accordance with clause 23.2 (*Arbitration*), the Parties shall use their best endeavours to continue to perform their covenants and obligations in accordance with this Agreement.
- (i) The decision of the arbitral panel shall be final and binding on the Parties subject to the exceptions provided in the Arbitration and Conciliation Act Cap A18 Laws of the Federal Republic of Nigeria, 2004.

## 24. EXPERT DETERMINATION

### 24.1 Applicability

Only technical matters related to Operations may be referred to an Expert for determination in case of a disagreement between the Parties on such a technical matter, further when such a reference is made to an Expert for determination in accordance with this Agreement then this clause 24 (*Expert Determination*) shall apply.

### 24.2 Appointment of the Expert

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

- (a) The Party requesting the appointment to be made shall give notice to that effect to the other Party and with such notice shall give details of the matter which it is proposed to be resolved by the Expert;
- (b) The Parties shall within ten (10) working days from the date of receipt of the notice meet and seek to agree upon a single expert to whom the matter in Dispute shall be referred for determination;
- (c) If within fifteen (15) working days from the date of receipt of the notice, the Parties failed to agree upon the Expert then the matter may forthwith be referred by either Party to the president/chairman of Nigerian Gas Association who shall be requested to make the appointment of the Expert within thirty (30) days and, in so doing, may take such independent advice as the president thinks fit;
- (d) Upon the Expert being agreed or selected under the foregoing provisions of this clause 24.4(d) (*Expert Determination*) the Parties or either of them shall forthwith notify the Expert of the Expert's selection and shall request the Expert to confirm to the Parties within ten (10) working days whether or not the Expert is willing and able to accept the appointment and whether or not there is any conflict as mentioned in clause 24 (*Expert Determination*);
- (e) in the event the Expert is unwilling or unable to accept such appointment or not have confirmed his willingness and ability to accept such appointment within the period of ten (10) working days, then (unless the Parties are able to agree upon the appointment of another expert) the matter shall be referred (by either Party) in the manner aforesaid to the said president who shall be requested to make an appointment or (as the case may be) a further appointment and the process shall be repeated until the Expert is found who accepts the appointment;
- (f) the Parties shall cooperate with each other to ensure that the terms of the contract of appointment of the Expert are agreed with the Expert as soon as possible and agree that, if there shall be any Dispute between the Parties as to the amount of remuneration to be offered to the Expert or any other terms of the Expert's appointment, then such amount or terms shall be determined by the said President whose decision shall be final and binding on them;
- (g) if the Expert should die, withdraw, or otherwise become incapable of serving, a replacement Expert shall be appointed by the Parties in accordance with this clause 24.2(g) (*Expert Determination*).

#### 24.3 Qualifications and Terms of Appointment

- (a) No person shall be appointed to act as an Expert:
  - (i) unless such person shall be qualified by education, experience, and training to determine the matter in Dispute; and/or
  - (ii) who at the time of appointment is (or within three (3) years before such appointment has been) a director, office holder, or an employee of or a pensioner directly or indirectly retained as a consultant to either Party or any Affiliate of either Party or is the holder of shares in a Party (unless it is a company quoted on a recognized stock



exchange and the Expert's shareholding is less than one (1%) percent of the issued share capital (of any class) in the Party).

- (b) Any person appointed as the Expert shall be entitled to act as the Expert, notwithstanding that, at the time of the appointment or at any time before such person gives the Expert's determination under such appointment, he has or may have some interest or duty which materially conflicts or may materially conflict with the Expert's function under such appointment,

*Provided that* such person shall (whether before or after accepting such appointment) immediately disclose any interest or duty of which such person is or becomes aware which conflicts or may conflict with such person's function under such appointment, and the Parties shall after such disclosure has confirmed such person's appointment or continuing appointment.

- (c) If either Party objects:

- (i) to an appointment of an Expert (which has already been made) within ten (10) working days of becoming aware of a conflicting interest or duty which has not hitherto been disclosed; and/or
- (ii) to a proposed appointment of an Expert on grounds of a disclosed conflicting interest or duty within ten (10) working days of that disclosure because in either case, it considers that there is a risk of such interest or duty prejudicing the decision of the Expert or proposed Expert, then either Party may apply to the said president who shall decide whether if such person were to continue as Expert or were to be appointed as Expert (as the case may be) such a risk would exist and in so deciding the said president shall consider any submissions either Party may wish to make and if the said president shall so decide then the said president shall if necessary) appoint a replacement in accordance with the provisions of clause 24.2 (*Expert Determination*).
- (d) All information, data or documentation disclosed or delivered by a Party to the Expert in the consequence or connection with such person's appointment as Expert hereunder shall be treated as confidential, and the Parties shall ensure that the Expert's terms of appointment prohibit the Expert from disclosing to any person any such information, data or documentation, and all such information, data and documentation shall remain the property of the Party disclosing or delivering the same and all copies thereof shall be returned on completion of the Expert's work.

*Provided that* the Expert may disclose any such information, data, or documentation to employees of the Expert or Affiliates of the Expert if such employees or Affiliates have, prior to such disclosure, entered into specific obligations with the Expert to maintain the confidentiality of such information, data, and documentation. The terms of appointment of the Expert shall contain an obligation on the Expert to use reasonable endeavours to comply with such obligations as aforesaid.

#### 24.4 Terms of reference for Expert Determination

- (a) The terms of reference of the Expert shall contain (*inter alia*) provisions that:
  - (i) the Expert shall not later than fourteen (14) working days after his appointment call the Parties to a meeting at which the Expert shall raise any matters requiring clarification (whether arising out of the Expert's contract of appointment or otherwise) and lay down the procedural rules to be applied; which rules shall be in accordance with the terms of this clause 24.4 (*Terms of Reference for Expert Determination*);

- (ii) the Parties shall be entitled to supply data and information and make submissions to the Expert within fifteen (15) working days of the appointment of the Expert, and the Expert shall ignore data, information and submissions supplied and made after such fifteen (15) working days unless the same are furnished in response to a specific request from the Expert;
  - (iii) the Expert shall make the decision required hereunder as soon as reasonably practicable but not later than thirty (30) working days after receipt of data, information and submissions supplied and made by the Parties;
  - (iv) the Expert shall be entitled to obtain such independent professional and/or technical advice as the Expert may reasonably require and to obtain such necessary secretarial assistance as is reasonably necessary;
  - (v) any and all communications between, and submissions made by, either of the Parties and the Expert shall be made in writing and a copy thereof provided simultaneously to the other Party and no meeting between the Expert and the Parties or either of them shall take place unless the Parties have a reasonable opportunity to attend such meeting; and
  - (vi) the Expert shall give full written reasons for the Expert's determination.
- (b) If within a reasonable period (which shall not without the prior written consent of the Parties exceed thirty (30) working days such consent not to be unreasonably withheld or delayed) after the receipt of information data and submissions; the Expert fails to render a determination, then at the request of either Party another Expert shall be appointed hereunder and on acceptance of such appointment, the appointment of the previous Expert shall cease unless, prior to the date upon which the new Expert accepts his appointment, the Expert shall have rendered a determination hereunder; in which case such determination shall be binding on the Parties and the instructions of the new Expert shall be withdrawn.
- (c) The Expert shall be deemed not to be an arbitrator but shall render the required decision as an expert and the provisions of the Arbitration and Conciliation Act, Cap A 18 Law of the Federal Republic of Nigeria 2004 (as amended from time to time) and the law relating to arbitration shall not apply to the Expert or the Expert's determination or the procedure by which the Expert reaches his determination.
- (d) The determination of the Expert shall be final and binding upon the Parties save in the event of fraud or misinterpretation or misapplication of the law or material fact.
- (e) Each Party shall bear the costs of providing all data, information, and submissions given by it and the costs and expenses of all witnesses and persons retained by it, but the costs and expenses of the Expert and any independent advisers to the Expert and any costs of the Expert's appointment if the Expert is appointed by the President shall be borne as to one half by the CORPORATION and as to one half by the CONTRACTOR.

## 25. TERMINATION

### 25.1 Termination by CORPORATION

- (a) The CORPORATION shall be entitled to terminate this Agreement with the CONTRACTOR if any of the following events occur:

- (i) CONTRACTOR materially defaults in the performance of any of its obligations set forth in clause 7 (*CONTRACTOR's Obligation*) herein;
  - (ii) CONTRACTOR assigns its rights and interests under this Agreement without prior written notice to and prior written consent of the CORPORATION under clause 15 (*Assignment*);
  - (iii) CONTRACTOR is adjudged insolvent or bankrupt by a court of competent jurisdiction in Nigeria;
  - (iv) CONTRACTOR liquidates or terminates its corporate existence; or
  - (v) Representation and warranties made by CONTRACTOR under clause 18 (*Representation and Warranties*) herein are found to be misrepresentations.
- (b) Termination for any of the events specified under clause 25.1(a)(ii), 25.1(a)(iii) and 25.1(a)(iv) (*Termination by CORPORATION*) hereinabove, may be effected with immediate effect by written notice from the CORPORATION to CONTRACTOR.
  - (c) If the cause for termination is an event or reason specified in clauses 25.1(a)(i) and/or 25.1(a)(v) above then the CORPORATION shall give written notice thereof to CONTRACTOR to remedy such default within a period ninety (90) days of receipt of CORPORATION's notice or such additional days as the CORPORATION deems appropriate in the circumstances. If upon the expiration of the said period such default has not been remedied or removed, the CORPORATION shall declare this Agreement terminated.
  - (d) With the exception of such rights of the CONTRACTOR that may have accrued prior to the date of termination, CONTRACTOR's rights shall cease upon the termination of this Agreement. Such termination shall take place without prejudice to any other rights or remedies, which may be available to either Party.
  - (e) Without prejudice to all other rights of the CORPORATION herein contained, CONTRACTOR shall upon the termination of this Agreement permit inspection, copying, and auditing of its accounts and records in respect of the Operations.

## 25.2 Termination by the CONTRACTOR

Upon ninety (90) days' notice, CONTRACTOR shall have the right, at its sole discretion to relinquish its rights and to terminate this Agreement without further obligations or liabilities.

## 25.3 Survival Provisions

- (a) Any termination of this Agreement shall be without prejudice to and will not affect any right of action or remedy which has accrued or may accrue in favour of a Party prior to such termination.
- (b) The following provisions shall survive the expiration or termination of this Agreement: clause 16 (*Confidentiality and Announcement*), clause 17 (*Force Majeure*), clause 18 (*Representation and Warranties*), clause 22 (*Governing Law and Language*), clause 23 (*Dispute Resolution*), clause 26.3 (*Abandonment & Decommissioning*), clause 28 (*Notices*), and clause 30 (*General*).

## 26. ABANDONMENT AND DECOMMISSIONING

- 26.1 Abandonment and decommissioning costs for NAG Wells shall be estimated separately for each NAG Well on the basis of field and technical studies conducted by the CONTRACTOR and agreed with NAPIMS from time to time and thereafter subject to a joint annual review of such estimates by CONTRACTOR and NAPIMS. (“NAG Well Decommissioning Cost”).
- 26.2 For the purposes of the NAG Well Decommissioning Cost, a fund shall be created in the manner stated hereunder (“Decommissioning Fund”):
- (a) The Decommissioning Fund, for the total NAG Well Decommissioning Cost, shall be transferred to the Escrow Account in ten equal annual instalments starting after a period of five (5) years from the calendar month during which the relevant NAG Well commenced commercial production of NAG.
  - (b) The value of such equal annual instalment for transfer to the Decommissioning Fund for each relevant NAG Well shall be duly adjusted for any revision or re-estimation in the NAG Well Decommissioning Cost for the relevant NAG Well, as referred to under clause 26.1 (*Abandonment and Decommissioning*) hereinabove, which would fall due after the date of such revision or re-estimation in such NAG Well Decommissioning Cost.
- 26.3 Parties understand that CONTRACTOR shall solely bear the decommissioning obligation in accordance with the provision of this clause 26 (*Abandonment and Decommissioning*). In furtherance of the satisfactory fulfilment of CONTRACTOR’s decommissioning obligation, the CONTRACTOR shall provide its parent company’s corporate guarantee in favour of CORPORATION within thirty (30) days from the Execution Date of this Agreement in the format set out in *Annexure V (Form of Corporate Guarantee)* to this Agreement.
- 26.4 The Parties agree that Decommissioning Fund shall be invested in an interest-bearing bank account denominated in United State Dollars, which shall be jointly established and operated by the Parties at a first-class commercial bank which shall have a long-term rating of not less than “AA” by Standard and Poor’s or “Aa2” by Moody’s Investor Service or a comparable rating by another mutually agreed rating service. Preference shall be given to banks in Nigeria possessing the required rating. (“*Escrow Account*”).
- 26.5 The Decommissioning Fund shall be used solely for the purposes of paying for the activities related to abandonment and decommissioning of NAG Wells. No Party shall mortgage, pledge, encumber, or otherwise use such Decommissioning Fund for any purpose whatsoever except as expressly provided in this Agreement. The Decommissioning Fund may also be invested in such financial instruments or assets as may be jointly approved by the Parties in writing.
- 26.6 Any balance remaining in the Decommissioning Fund after total Decommissioning shall revert to the CONTRACTOR.
- 26.7 The Parties agree that in case of a termination of this Agreement in accordance with clause 25 (*Termination*) of this Agreement, the total liability and obligation of the CONTRACTOR with respect to abandonment and decommissioning as is stated in clause 26.3 (*Abandonment and Decommissioning*) hereinabove shall be determined in the following manner:
- (a) (Total “NAG Well Decommissioning Cost” for the relevant NAG Well as determined in accordance with clause 26.1 (*Abandonment and Decommissioning*) hereinabove immediately preceding the effective date of such Termination under clause 25 (*Termination*)) X (*i.e., further multiplied by*)

- (b) (The total number of years and any part thereof on a pro-rata basis, that has elapsed between the date of commencement of commercial production of NAG from the relevant NAG Well and the effective date of such Termination under clause 25 (Termination)) on a pro-rata basis :- (i.e., further divided by)
- (c) (The total number of years and any part thereof on a pro-rata basis, for which the relevant NAG Well was forecasted to produce NAG in commercial quantities and as included in the forecasted production profile of NAG in the GDP or Work Programme approved immediately preceding the effective date of such Termination under clause 25 (Termination))

For the avoidance of doubts, any period during which NAG could not be produced in commercial quantities from the relevant NAG Well due to reasons of Force Majeure Event shall not be included in the period as is referred to in clause 26.7 (*Abandonment and Decommissioning*) hereinabove

## 27. ENVIRONMENTAL PROTECTION

- 27.1 During the performance of this Agreement, the CONTRACTOR shall take necessary measures to ensure it and its duly authorised sub-contractors attend to the protection of the environment and prevention of pollution, in accordance with standard practice in the international gas industry and any applicable Nigerian Law.
- 27.2 In its conduct of Operations, the CONTRACTOR shall maintain at all times an environmental management system to remediate the environment.
- 27.3 The CONTRACTOR shall take reasonable precautions and measures to prevent any pollution which may arise directly as a result of the Operations and to protect the environment, water sources and any other natural resources when carrying out Operations.
- 27.4 The CONTRACTOR shall respect the preservation of property, agricultural areas, and fisheries when carrying out Operations.

## 28. NOTICES

Any notice or other communication from one of the Parties to another Party, which is required or permitted to be made by the provisions of this Agreement shall be made in the English language and in writing delivered by hand or sent by recorded delivery to the address of the receiving Party which are shown below

### To CORPORATION:

The Managing Director  
Nigerian National Petroleum CORPORATION  
NNPC Towers, Herbert Macaulay Way,  
Central Business District, Abuja, Nigeria

### To CONTRACTOR:

The Managing Director  
Sterling Oil Exploration and Energy Production Company Limited  
205 Abiola Segun Ajayi Street, Off Muri Okunola Street,  
Victoria Island, Lagos, Nigeria

## 29. CONDUCT OF PARTIES

- 29.1 Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other things of significant value, as an inducement or reward for doing or forbearing to do any action or take any decision in relation to the Contract, or for showing or forbearing to show favour or disfavour to any person in relation thereto.
- 29.2 Each Party further represents that it shall not either directly or indirectly give to any person, director, employee, representative or agent of the other Party or any government official any commission, fee rebate, gift or any entertainment of significant cost or value, and shall not procure the services of any commission agent or other third party to give any such gift, fee, reward, concession, bribe, entertainment of significant cost or value or anything of a similar nature, for the purposes of influencing or inducing positively or adversely the award of the Contract or doing any act in connection with the Contract.

## 30. GENERAL

### 30.1 Entire Agreement

This Agreement constitutes the whole and only agreement and understanding between the Parties in relation to its subject matter. Save in the event of fraudulent misrepresentation, all previous agreements, understandings, undertakings, representations, warranties, and arrangements (whether written or oral) between all or any of the Parties with any bearing on the subject matter of this Agreement are superseded and extinguished to the extent that they have such a bearing.

### 30.2 Severance

- (a) This Agreement is binding on the Parties and represents their entire understanding with respect to Operations in the Production Area.
- (b) If any provision of this Agreement is prohibited by law or judged by a court to be unlawful, void, or unenforceable, the provision shall, to the extent required, be severed from this Agreement and rendered ineffective as far as possible without modifying the remaining provisions of this Agreement and shall not in any way affect any other circumstances of or the validity or enforcement of this Agreement. In such circumstances (where possible), Parties shall jointly negotiate and replace the void paragraph with another similar but valid clause.

### 30.3 No Waiver

No failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. Any waiver of any breach of this Agreement shall not be deemed to be a waiver of any subsequent breach.

### 30.4 Modifications

Save as otherwise expressly provided herein, no provision of this Agreement may be amended, modified, waived, or discharged or terminated, otherwise than by the express written agreement of the Parties, nor may any breach of any provision of this Agreement be waived or discharged except with the express written consent of the Party not in breach.

30.5 Authority and Binding Provisions

In the event of any inconsistency, conflict, or ambiguity between the provisions of this Agreement and any provision of the PSC the provisions of this Agreement shall prevail.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the day and year first above written.

**SIGNED AND DELIVERED for and on behalf of  
NIGERIAN NATIONAL PETROLEUM CORPORATION**

By.....  
Name: .....  
Designation: .....

**IN THE PRESENCE OF:**

Name: .....  
Signature: .....  
Designation: .....  
Address: .....

**SIGNED AND DELIVERED for and on behalf of  
STERLING OIL EXPLORATION AND ENERGY PRODUCTION COMPANY LIMITED**

By.....  
Name: .....  
Designation: .....

**IN THE PRESENCE OF:**

Name: .....  
Signature: .....  
Designation: .....  
Address: .....

**Annexure-I**  
**Computation of Royalty\***

Sr. No.	Particulars	\$
1	<b>Gross Revenue from Sale of Non-Associated Gas</b>	a1
2	Less: Transportation Tariff	a2
3	Less: Taxes and Levies on Transportation Tariff	a3
4	<b>Sub-total</b> (amount on which Royalty would be payable at the tariff/royalty rates provided under the Petroleum Act and/or other relevant Laws)	a1-a2-a3



**Annexure-II**  
**Sharing of Adjusted Gross Revenue\***

Sr. No.	Particulars	\$
1	Gross Revenue from Sale of Non-Associated Gas	a1
2	Transportation Tariff	a2
3	Taxes and Levies on Transportation Tariff	a3
4	Sub-total (say b1)	a1-a2-a3
5	Royalty Payable on NAG (say b2)	7% X b1
6	Adjusted Gross Revenue (before tax) (say b3)	b1-b2
7	CORPORATION's Share of Adjusted Gross Revenue (before tax)	x% X b3
8	CONTRACTOR's Share of Adjusted Gross Revenue (before tax)	(100%-x%) X b3
9	Taxes (Individual parties responsible for their own)	as applicable

*Note 1: Adjusted Gross Revenue (before tax) is being distributed to the CORPORATION and CONTRACTOR in the designated ratio as provided in clause 9, and therefore the value of x% shall be determined in accordance with the formula as stated in clause 9.1. It is assumed that the tax on such Adjusted Gross Revenue and associated profits (including Education Tax and Corporate Income Tax), as applicable, will be paid by the respective Parties (CORPORATION and SEEPCO) on their respective shares of such Adjusted Gross Revenue (before tax).*

**Annexure-III**  
**Appendix VI to the GSPA: Worked Example of Contract Price Formula\***

The following formula shall be used to determine the Contract Price for the Delivery Month (M-1):  
 Contract Price = Gas Value / Gas Quantity ..... Equation (1)

Where:

<b>Contract Price</b>	=	<b>Wet Gas price in US\$ per Mscf for the Delivery Month</b>
<b>Gas Quantity</b>	=	Total quantity of Wet Gas supplied by Seller to Buyer at the Delivery Point in MMscf in the Delivery Month
<b>Gas Value</b>	=	Cost payable by Buyer to Seller for Gas Quantity (US\$)
	=	(K1 x Lean Gas sales) + (K2 x LPG sales) + (K3 x Cond sales)

Where:

- (a) K1 = 28%, Lean gas sales factor
- (b) K2 = 41%, LPG sales factor.
- (c) K3 = 41%, Condensate sales factor
- (d) Lean Gas sales = Quantity of C1 and C2 in Gas Quantity in MMscf multiplied by the Lean Gas Sales Price
- (e) LPG sales = Quantity of C3 and C4 in Gas Quantity in bbls MT multiplied by the LPG Sales Price
- (f) Cond sales = Quantity of C5+ in Gas Quantity in bbls MT multiplied by Condensate Sales Price

Lean Gas Price means the weighted average sales price of Lean Gas invoiced by Buyer to Offtaker(s) of Lean Gas in the Delivery Month as determined by the Lean Gas Contract Price with the Offtaker(s), provided however that:

- (g) Where there is no sale of the C1 and C2 components in the Gas Quantity made available by Seller and taken by Buyer, in the Delivery Month, the Lean Gas Price shall be determined in the following order of priority:
  - (i) The weighted average of Lean Gas Contract Price with the Offtaker(s) of Lean Gas;
  - (ii) Lean Gas Prevailing Market Price in the Delivery Month

LPG Price means the weighted average sales price of LPG invoiced by Buyer to Offtaker(s) of LPG in the Delivery Month as determined by the LPG Contract Price with the Offtaker(s) of LPG, however:

- (h) Where there is no sale of the C3 and C4 components in the Gas Quantity made available by Seller and taken by Buyer, in the Delivery Month, the LPG Price shall be determined in the following order of priority:
  - (i) The weighted average of LPG Contract Price with the Offtaker(s) of LPG; or
  - (ii) LPG Prevailing Market Price in the Delivery Month

Condensate Price means the weighted average sales price of Condensate, invoiced by Buyer to Offtaker(s) in the Delivery Month as determined by the Condensate Contract Price with the Offtaker(s), however:

- (i) Where there is no sale of the C5+ component in the Gas Quantity made available by Seller and taken by Buyer, in the Delivery month, the Condensate Price shall be determined in the following order of priority:
  - (i) The weighted average of "Condensate Price" with the Offtaker(s);
  - (ii) Condensate Prevailing Market Price in the Delivery Month

For the "Ashtavinayak Hydrocarbon Limited (AHL)" Gas Plant, with 125 MMscf/d capacity and assuming the following,

Gas Quantity	= 125 MMscf/d
Quantity of C1 and C2 in Gas Quantity	= 113MMscf/d
Quantity of C3 and C4 in Gas Quantity	= 550 MT/d
Quantity of C5+ in Gas Quantity	= 1,689 bbls/d
Lean Gas Sales Price	= US\$ 2.5/Mscf
LPG sales price	= US\$300per Metric Tonne (Indexed to OPIS LP Prices for Mont Belvieu)
Condensate sales price	= US\$35 per barrel

1 barrel of LPG = 0.08585 Metric Tonnes at 60° F

For the example above, using Equation 1,

Contract Price = 
$$\frac{[(28\% \times \text{US}\$2.5/\text{Mcf} \times 113,000\text{Mcf} \times 30 \text{ days}) + (41\% \times \text{US}\$3000/\text{M Tonnes} \times 550\text{MT} \times 30 \text{ days}) + (41\% \times \text{US}\$35/\text{bbl} \times 1,689 \text{ bbls} \times 30 \text{ days})]}{(125 \times 30 \text{ days}) \text{ MMscf}} = \frac{\{(2,373,000) + (2,029,500) + (7,27,114.5)\}}{(125,000 \text{ Mcf} \times 30 \text{ days})}$$

= US\$ 1.368 /Mcf

*\*Notes: The information (including the values used as prices and quantities of C1,C2,C3,C4,C5+) contained in this Appendix-VI is only illustrative in nature and used solely for the purpose of demonstrating the methodology followed to calculate the Contract Price.*

*The detailed descriptions of the terms and nomenclatures using in this Annexure are provided in the GSPA*

**Annexure-IV  
Other Provisions**

The CONTRACTOR shall report on the cumulative production in the Contract Area in the Form on Schedule B Attached.

**Section A – Production Summary**

**Non-Associated Gas** Gross Revenue from Sales Proceeds Received By:  
 Production average **Non-Associated Gas US \$**  
 for a month

CORPORATION CONTRACTOR

Totals

**Cumulative Production Analysis**

**Section A - Monthly Production**

NON-ASSOCIATED GAS VOLUME	Planned Production for Month mmscf	Planned Cumulative For Quarter mmscf	Actual Production for Month mmscf	Actual Cumulative for Quarter mmscf
---------------------------	--	--	---	---

Totals

**Section B - Cumulative Production**

Gas specification	Cumulative Production for Quarter mmscf	Previous Quarter Cumulative Production mmscf	Cumulative Production To Date MMscf
-------------------	--	---	--

Totals

**Section C - Cumulative Production/Liftings/Storages**

NAG Volume	Cumulative Production	Cumulative Liftings	In Storage/Gas flared
------------	-----------------------	---------------------	-----------------------

Totals

**Annexure-V**  
**Form of Corporate Guarantee**

THIS GUARANTEE ("*Guarantee*") is made this \_\_\_\_\_ day of \_\_\_\_\_ 2021 by

[●] a company incorporated under the laws of [●] with office at [●] (hereinafter referred to as the "*Guarantor*" which expression shall, where the context so admits, include its successors-in-title, and permitted assigns);

**FOR THE PERFORMANCE OF**

**STERLING OIL EXPLORATION AND ENERGY PRODUCTION COMPANY LIMITED** a company incorporated under the laws of Federal Republic of Nigeria with office office at 205 Abiola Segun Ajayi Street, Off Muri Okunola Street, Victoria Island, Lagos, Nigeria (hereinafter referred to as "*the Obligor*" which expression shall, where the context so admits, include its successors-in-title, and permitted assigns) in respect of the Obligor's obligations pursuant to Clause 26 (*Abandonment and Decommissioning*) of the Gas Development Agreement dated [●] (hereinafter referred to as the "*Obligation*").

**IN FAVOUR OF**

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

**1. DEFINITIONS**

Capitalised terms used herein but not otherwise defined, shall each have the respective meanings given to them in the Agreement. In addition, when used herein the following terms shall have the respective meanings set forth below:

- 1.1. "*Agreement*" means the Gas Development Agreement executed on [●] between Obligor and Beneficiary.
- 1.2. "*Effective Date of Guarantee*" shall mean the date of execution of this Guarantee as first stated hereinabove.
- 1.3. "*Obligor's Obligation*" means the obligation of Obligor pursuant to Clause 26 (*Abandonment & Decommissioning*) of the Agreement.

In consideration of the execution of Agreement between Obligor and Beneficiary, Guarantor hereby guarantees to Beneficiary, the due performance of Obligor's Obligation to Beneficiary upon demand from Beneficiary and under the terms prescribed hereunder.

**2. GUARANTEE**

- 2.1. The Guarantor unconditionally and irrevocably guarantees to Beneficiary the performance of the Obligor's Obligation its Nigerian affiliate, which is organized under the laws of the Federal Republic of Nigeria and any and all its successors and assigns under the Agreement.



- 2.2. Subject to Clause 26 (*Abandonment & Decommissioning*) of the Agreement and the terms of this Guarantee, the Guarantor shall unconditionally fulfil the Obligor's Obligation, forthwith upon receiving written notice from Beneficiary.
- 2.3. The Guarantor absolutely, irrevocably and unconditionally guarantees to Corporation the full, due and punctual payment to the Decommissioning Fund by Obligor of all monies which Obligor is or shall become obliged to pay to therein pursuant to the Agreement in fulfilment of Obligor's Obligation and, subject to the other provision of this Guarantee, irrevocably and unconditionally agrees to indemnify and hold harmless Beneficiary in respect of any and all failure by Obligor to pay such monies.
- 2.4. This Guarantee shall terminate upon completion and fulfilment of all Obligor's Obligation and the issuance by the Regulator of a certificate of discharge which will serve as evidence of satisfaction of the Regulator. However, if there is early termination of the Agreement this Guarantee shall terminate when the Beneficiary certifies that Obligor has satisfied the Obligation in accordance with the clause 26.7 (*Abandonment & Decommissioning*) of the Agreement due in respect of the number of years, and any part thereof, that the Obligor was responsible for. Any release of Obligor from Obligor's Obligation shall also release Guarantor from its obligation under this Guarantee.
- 2.5. Neither the Guarantor nor Beneficiary may assign or transfer (whether by way of security or otherwise) this Guarantee nor any interest or obligation in or under this Guarantee without the prior written consent of Beneficiary or the Guarantor respectively. Any purported assignment or transfer that is not in accordance with this Guarantee shall be void. Subject to the foregoing, this Guarantee shall be binding upon and enure to the benefit of and be enforceable by the respective successors, assigns and transferees of Guarantor and Beneficiary. In the event that the Beneficiary's interest in the Agreement is transferred by operation of law to another entity, this Guarantee shall be binding upon the Guarantor and the new entity.
- 2.6. This Guarantee embodies the entire understanding between the Guarantor and Beneficiary and supersedes all prior arrangements and understandings relating to the subject matter hereof.
- 2.7. The obligations of the Guarantor hereunder shall in no way be affected or impaired by reason, and the Guarantor, waives its right to prior notice, of the happening from time to time of any of the following:
  - (a). extensions (whether or not material) of the time for performance of all or any portion of the Obligor's Obligation;
  - (b). the modification or amendment in any manner (whether or not material) of the Agreement or the Obligor's Obligation;
  - (c). any failure, delay or lack of diligence on the part of Beneficiary, or any other person or entity to enforce, assert or exercise any right, privilege, power or remedy conferred on Beneficiary or any other person or entity under the Agreement or at law, or any action on the part of Corporation or such other person or entity granting indulgence or extension of any kind; and
  - iv. a change of status, composition, structure or name of Obligor, including, without limitation, by reason of bankruptcy, liquidation, insolvency, merger, dissolution, consolidation or reorganization.

- 2.8. With the prior written consent of Corporation, which consent shall not be unreasonably withheld, this Guarantee may be replaced by a guarantee or guarantees in substantially similar form made by a guarantor of equal or better creditworthiness.
- 2.9. This Guarantee may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one document.
- 2.10. The Guarantor shall make payment in US Dollars and without deductions to the Decommissioning Fund immediately by making available funds of all sums due hereunder within thirty (30) days of written demand for the same by Beneficiary (which demand shall set forth the basis and the calculation of the amount for which demand is made and which shall in the absence of manifest error be conclusive).
- 2.11. The Guarantor warrants that this Guarantee is legally binding obligation enforceable in accordance with its terms and further warrants that all necessary consents and authorizations for the giving and implementation of this Guarantee have been obtained.
- 2.12. If a difference or dispute arises concerning the interpretation or performance of this Guarantee, the provisions of the Agreement relating to Governing Law and the procedure as stated in the Dispute Resolution Clause shall apply and is deemed to be incorporated into this Guarantee mutatis mutandis as if same were expressly set out herein.
- 2.13. All notices required or permitted shall be in writing and shall be deemed given when delivered in person, or, if sent by facsimile or other means of electronic transmission on the second business day following transmission, or if mailed on the second business day after being consigned to Federal Express or similar courier, at the address for notice provided below:
- To the Guarantor:      [●]
- NNPC:                      NNPC Towers,  
Herbert Macaulay Way,  
Central Business District,  
Abuja, Nigeria
- 2.14. This Guarantee shall in all respects be governed by and construed in accordance with, the laws of the Federal Republic of Nigeria.

FOR AND ON BEHALF OF:  
Name: GUARANTOR  
Title:

---